

Foreign  
Relations  
of the  
United  
States



1948

Volume 6

GENERAL  
THE UNITED  
NATIONS

(in two parts)

Part 2

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**Foreign Relations of the United States, 1948, Volume I, Part II**

**ERRATA**

On page 570, under "Memorandum Prepared in the Department of State," delete the heading notation:

NSC 30

On page 633, last paragraph, replace line four with the following:

this volume, pages 311 ff.; the Greek frontier question at the United

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Foreign Relations  
of the  
United States  
1948

Volume I

General;  
The United Nations

(in two parts)

Part 2



United States  
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Washington : 1976

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## PREFACE

Part 2 of this volume was prepared under the direct supervision of the late S. Everett Gleason and of Fredrick Aandahl, his successor as Editor of *Foreign Relations*, with the assistance of Ralph R. Goodwin and Neal H. Petersen in planning and direction.

Mr. Petersen compiled and edited the sections on United States national security policy and on atomic energy, as well as the related section in part 1 on American policy at the United Nations on regulation of armaments and collective security. Mr. Goodwin prepared the sections on United States representation at international conferences and organizations, commercial policy, the foreign assistance program, and, with Marvin W. Kranz, on the International Trade Organization and the General Agreement on Tariffs and Trade. William Z. Slany prepared the section on United States policy with regard to the Antarctic. Editorial and technical assistance was provided by Margaret G. Martin and Ruth M. Worthing.

The editors acknowledge with appreciation the assistance provided them by the historians of the Department of Defense, including those of the Joint Chiefs of Staff, as well as by the historians of the Atomic Energy Commission (now the Energy Research and Development Administration). They are also grateful for the cooperation of the National Security Council, the Department of Defense, the Central Intelligence Agency, and the Atomic Energy Commission, all of which concurred in the declassification of various papers for release herein. Thanks are also due to those foreign governments that kindly granted permission for publication of certain of their documents in this volume.

The technical editing of this volume was the responsibility of the Publishing and Reproduction Division, Willard M. McLaughlin, Chief. The index for part 2 was prepared by Francis C. Prescott.

Part 1 of this volume (released in June 1975 as Department of State publication 8805) includes documentation on United States policy with respect to the United Nations.

FREDRICK AANDAH  
*Acting Director, Historical Office  
Bureau of Public Affairs*

PRINCIPLES FOR THE COMPILATIONS AND EDITING OF  
"FOREIGN RELATIONS"

The principles which guide the compilation and editing of *Foreign Relations* are stated in Department of State Regulation 2 FAM 1350 of June 15, 1961, a revision of the order approved on March 26, 1925, by Mr. Frank B. Kellogg, then Secretary of State. The text of the regulation, as further amended, is printed below:

1350 DOCUMENTARY RECORD OF AMERICAN DIPLOMACY

1351 *Scope of Documentation*

The publication *Foreign Relations of the United States* constitutes the official record of the foreign policy of the United States. These volumes include, subject to necessary security considerations, all documents needed to give a comprehensive record of the major foreign policy decisions within the range of the Department of State's responsibilities, together with appropriate materials concerning the facts which contributed to the formulation of policies. When further material is needed to supplement the documentation in the Department's files for a proper understanding of the relevant policies of the United States, such papers should be obtained from other Government agencies.

1352 *Editorial Preparation*

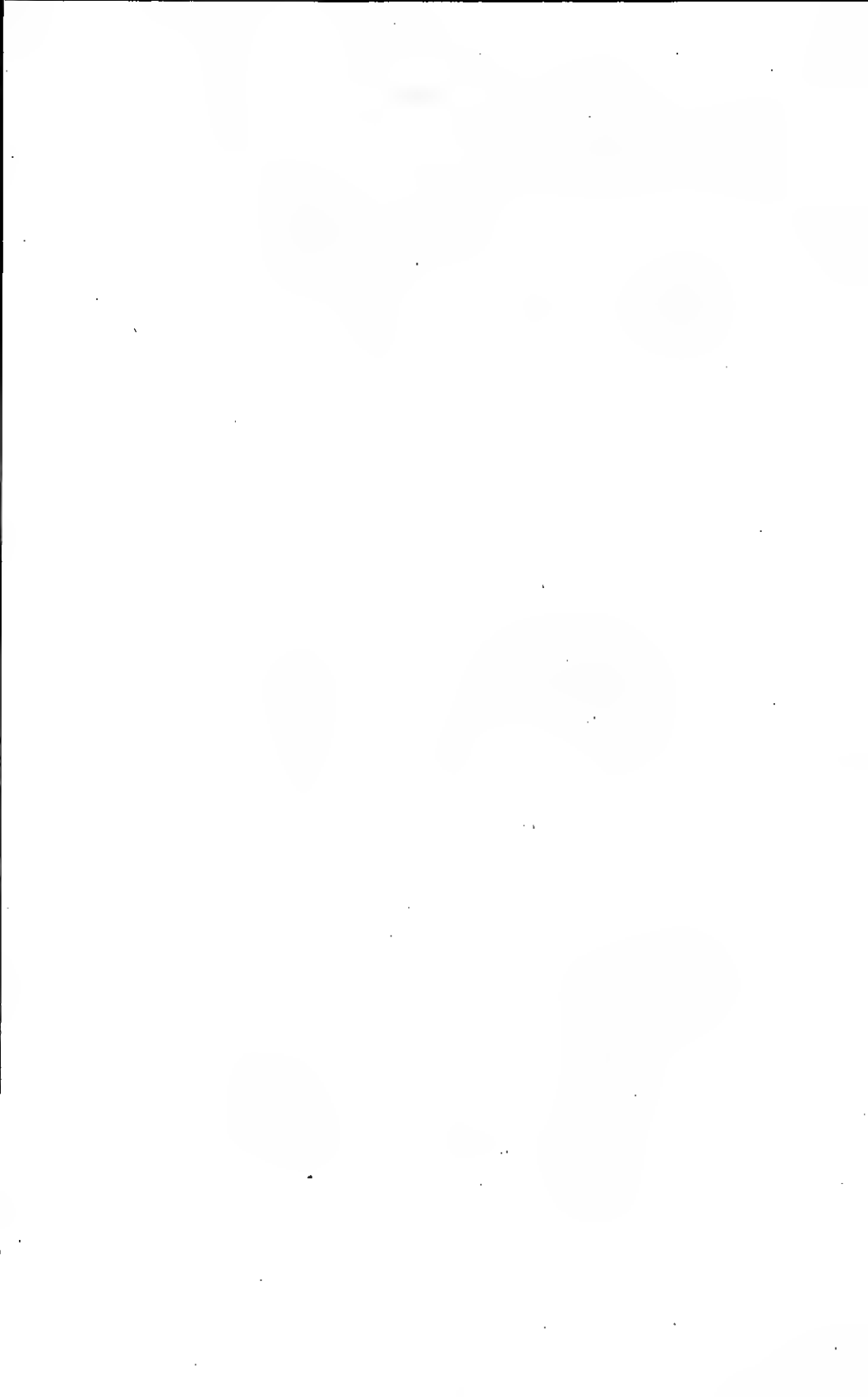
The basic documentary diplomatic record to be printed in *Foreign Relations of the United States* is edited by the Historical Office, Bureau of Public Affairs of the Department of State. The editing of the record is guided by the principles of historical objectivity. There may be no alteration of the text, no deletions without indicating where in the text the deletion is made, and no omission of facts which were of major importance in reaching a decision. Nothing may be omitted for the purpose of concealing or glossing over what might be regarded by some as a defect of policy. However, certain omissions of documents are permissible for the following reasons:

- a. To avoid publication of matters which would tend to impede current diplomatic negotiations or other business.
- b. To condense the record and avoid repetition of needless details.
- c. To preserve the confidence reposed in the Department by individuals and by foreign governments.
- d. To avoid giving needless offense to other nationalities or individuals.
- e. To eliminate personal opinions presented in despatches and not acted upon by the Department. To this consideration there is one qualification—in connection with major decisions it is desirable, where possible, to show the alternatives presented to the Department before the decision was made.

1353 *Clearance*

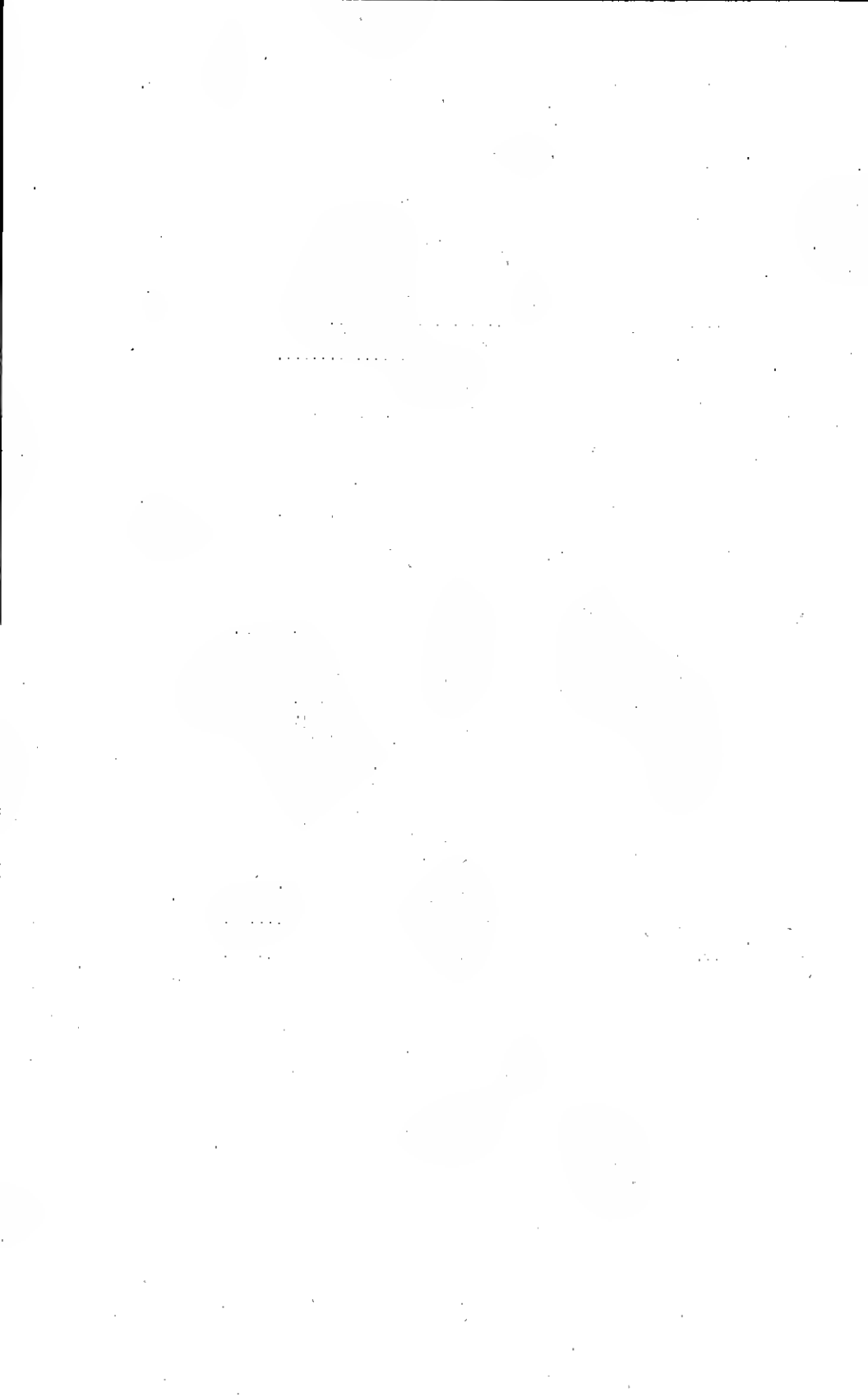
To obtain appropriate clearances of material to be published in *Foreign Relations of the United States*, the Historical Office:

- a. Refers to the appropriate policy offices of the Department and of other agencies of the Government such papers as appear to require policy clearance.
- b. Refers to the appropriate foreign governments requests for permission to print as part of the diplomatic correspondence of the United States those previously unpublished documents which were originated by the foreign governments.



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## LIST OF ABBREVIATIONS AND SYMBOLS

**EDITOR'S NOTE.**—This list does not include standard abbreviations in common usage; unusual abbreviations of rare occurrence which are clarified at appropriate points; and those abbreviations and contractions which, although uncommon, are understandable from the context.

**ADP**, Airport Development Program  
**AEC** (United Nations), Atomic Energy Commission

**A.F. of L.**, American Federation of Labor

**AMG**, Allied Military Government

**Am Reps**, American Republics

**ARA**, Office of American Republic Affairs, Department of State

**ATC**, Air Transport Command

**AV**, Aviation Division, Department of State

**BC**, Division of British Commonwealth Affairs, Department of State

**BOT**, Board of Trade (British)

**C**, Office of the Counselor, Department of State

**CAA**, Civil Aeronautics Administration

**CCA**, United Nations Commission for Conventional Armaments

**CCC**, Commodity Credit Corporation

**CEEC**, Committee for European Economic Cooperation

**CFM**, Council of Foreign Ministers

**CIA**, Central Intelligence Agency

**cirtel**, circular telegram

**CIU**, Combined Intelligence Unit

**CON**, Office of Controls, Department of State

**CP**, Division of Commercial Policy, Department of State

**CP**, Communist Party

**CPC**, Combined Policy Committee

**Delga**, series indicator for telegrams from the United States Delegation at the first part of the third session of the United Nations General Assembly, September–December 1948

**Delsec**, series indicator for telegrams to the United States Delegation at the Council of Foreign Ministers and related conferences and meetings, at times headed by the Secretary of State

**Depcirtel**, Department of State circular telegram

**Deptel**, Department of State telegram

**E**, Office of the Assistant Secretary of State for Economic Affairs, Department of State

**EAS**, Executive Agreement Series

**ECA**, Economic Cooperation Administration

**ECEFP**, Executive Committee on Economic Foreign Policy

**ECOSOC**, Economic and Social Council of the United Nations

**ED**, Division of Investment and Economic Development, Department of State

**Emb**, Embassy

**Embtel**, Embassy telegram

**EP**, Division of Economic Property Policy, Department of State

**ERP**, European Recovery Program

**EUCOM**, European Command, United States Army

**EUR**, Office of European Affairs, Department of State

**Eximbank**, Export-Import Bank of Washington

**FAO**, Food and Agriculture Organization

**FBI**, Federal Bureau of Investigation, Department of Justice

**FC**, Division of Foreign Activity Correlation, Department of State

**FE**, Office of Far Eastern Affairs, Department of State

- FEA, Foreign Economic Administration
- FinMin, Finance Minister
- FLC, Foreign Liquidation Commissioner, Department of State
- FN, Division of Financial Affairs, Department of State
- FonMin, Foreign Minister
- FonOff, Foreign Office
- FonSec, Secretary of State for Foreign Affairs
- ForMin, Foreign Minister
- Frito, series indicator for telegrams from the United States Delegation at the United Nations conference on trade and employment, Habana, November 1947-March 1948
- FTT, Free Territory of Trieste
- G, Office of the Assistant Secretary of State for Political Affairs, Department of State
- GA, General Assembly of the United Nations
- Gadel, series indicator for telegrams to the United States Delegation at the first part of the third session of the United Nations General Assembly, September-December 1948
- GATT, General Agreement on Tariffs and Trade
- GOI, Government of India
- GTL, Division of Greek, Turkish, and Iranian Affairs, Department of State
- H.J. Res., House of Representatives Joint Resolution
- HR, designation for legislation introduced in the House of Representatives
- IADB, Inter-American Defense Board
- IC, Interim Committee of the United Nations General Assembly
- ICITO, Interim Commission, International Trade Organization
- ICJ, International Court of Justice
- IEFC, International Emergency Food Committee
- ILO, International Labor Organization
- IMF, International Monetary Fund
- infotel, information telegram
- IO, Bureau of International Organization Affairs, Department of State
- IR, Division of International Resources, Department of State
- IS, Division of International Security Affairs, Department of State
- ITO, International Trade Organization
- ITP, Office of International Trade Policy, Department of State
- JCCAE, Joint Congressional Committee on Atomic Energy
- JCS, Joint Chiefs of Staff
- Kr, Swedish Kronor
- L, Office of the Legal Adviser, Department of State
- LA, Latin America
- LL, lend-lease
- L/UNA, Assistant Legal Adviser for United Nations Affairs in the Office of the Legal Adviser, Department of State
- MAP, Military Assistance Program
- Marit Comm, Maritime Commission
- Martel, series indicator for telegrams from Secretary of State Marshall while away from Washington
- mfn, most favored nation
- MG, Military Governor (Government)
- MIC, Subcommittee on Military Information Control, State-Army-Navy-Air Force Coordinating Committee
- MLC, Military Liaison Committee
- MOS, Minister of Supply (British)
- MSC, Military Staff Committee of the United Nations Security Council
- mytel, my telegram
- NAC, National Advisory Council on International Monetary and Financial Problems
- NEA, Office of Near Eastern and African Affairs, Department of State
- NEI, Netherlands East Indies
- niact, night action, communications indicator requiring attention by the recipient at any hour of the day or night
- NME, National Military Establishment

- NOE, Division of Northern European Affairs, Department of State  
 NRDB, (National) Research and Development Board  
 NSC, National Security Council  
 NSRB, National Security Resources Board  
 OEEC, Organization of European Economic Cooperation.  
 OFD, Office of Financial and Development Policy, Department of State  
 OFLC, Office of the Foreign Liquidation Commissioner, Department of State  
 OIE, Office of Information and Educational Exchange, Department of State  
 OIR, Office of Intelligence Research, Department of State  
 OIT, Office of International Trade, Department of Commerce  
 OMGUS, Office of Military Government in Germany (United States)  
 ourtel, our telegram  
 PAA, Pan American Airways  
 PCA, Policy Committee on Arms and Armaments, Department of State  
 PED, Petroleum Division, Department of State  
 PICAQ, Professional International Civil Aviation Organization  
 PL, Division of Public Liaison, Department of State  
 PPS, Policy Planning Staff, Department of State  
 PreCom, Preparatory Committee of the International Conference on Trade and Employment  
 QR, quantitative restrictions  
 RAC, Executive Committee on Regulation of Armaments  
 reDeptel, regarding Department of State telegram  
 reEmbtel, regarding Embassy telegram  
 refTel, reference telegram  
 reurtel, regarding your telegram  
 S, Office of the Secretary of State  
 S/P, Policy Planning Staff, Department of State  
 S/S, Executive Secretariat, Department of State  
 S/S-PR, Protocol Staff, Executive Secretariat, Department of State  
 SA-M, Office of the Special Assistant to the Secretary of State (Press Relations), Michael J. McDermott  
 SANACC, State-Army-Navy-Air Force Coordinating Committee  
 SC, Security Council of the United Nations  
 S.J. Res., Senate Joint Resolution  
 SOA, Division of South Asian Affairs, Department of State  
 SWNCC, State-War-Navy Coordinating Committee  
 SYG, Secretary-General of the United Nations  
 TA, trade agreement  
 TEC, technical cooperation  
 TIAS, Treaties and Other International Acts Series  
 Toito, series indicator for telegrams to the United States Delegation at the United Nations conference on trade and employment, Habana, November 1947-March 1948  
 Torep, series indicator for messages from the Economic Cooperation Administration headquarters in Washington to the United States Special Representative in Europe under the Foreign Assistance Act of 1948  
 TRC, Office of Transport and Communications, Department of State  
 TS, Department of State Treaty Series  
 U, Office of the Under Secretary of State  
 UKDel, United Kingdom Delegation  
 UMT, Universal Military Training  
 UN, United Nations  
 UNA, Office of United Nations Affairs, Department of State  
 UNAEC, United Nations Atomic Energy Commission  
 UNESCO, United Nations Educational, Scientific and Cultural Organization  
 UNGA, United Nations General Assembly

UNI, International Administration Staff, Office of United Nations Affairs, Department of State	USAEC, United States Atomic Energy Commission
UNO, United Nations Organization	USAF, United States Air Force
UNP, Division of United Nations Political Affairs, Department of State	UsDel, United States Delegation
UNRRA, United Nations Relief and Rehabilitation Administration	USIS, United States Information Service
UNS, Division of International Security Affairs, Department of State	USPolAd, United States Political Adviser
UNSC, United Nations Security Council	UST, <i>United States Treaties and Other International Agreements</i>
UNTS, United Nations Treaty Series	USUN, United States Mission at the United Nations
urinfo, your information	VD, Visa Division, Department of State
urtel, your telegram	WE, Division of Western European Affairs, Department of State
USA, United States Army	

UNITED STATES NATIONAL SECURITY POLICY: ESTIMATES OF THREATS TO THE NATIONAL SECURITY; ORGANIZATION FOR NATIONAL SECURITY; MILITARY POSTURE AND FOREIGN POLICY; THE EXTENSION OF MILITARY ASSISTANCE TO FOREIGN NATIONS; EFFORTS TO ACQUIRE MILITARY BASES AND AIR TRANSIT RIGHTS IN FOREIGN AREAS; FOREIGN POLICY ASPECTS OF STRATEGIC STOCKPILING; FOREIGN INFORMATION POLICY<sup>1</sup>

*Editorial Note*

A substantial portion of the documentation printed in the *Foreign Relations* series for 1948 concerns subjects of relevance to the national security. Documentation in the present compilation is related to the formulation of high level, general policy. This material should be considered in connection with papers on specific issues and areas found elsewhere in the *Foreign Relations* volumes for 1948. The compilations noted below are of special interest with respect to the more general material printed here.

For documentation on foreign policy aspects of United States development of atomic energy, see pages 677 ff. Regarding United States policy at the United Nations with respect to the regulation of armaments and collective security, see Part 1 of this volume, pages 311 ff. For documentation on the Berlin crisis, see volume II, pages 867 ff. Material on the origins of the North Atlantic Treaty Organization appears in volume III, pages 1 ff. Regarding the diplomacy of the European Recovery Program, see *ibid.*, pages 352 ff. For documentation on United States economic and military aid to Greece and Turkey, see volume IV, pages 1 ff. Additional documentation on the Soviet Union and United States national security policy is included in material on reports of developments of significance within the Soviet Union, in *ibid.*, pages 788 ff. Documentation on United States policy with respect to China is presented in volumes VII and VIII.

To locate documentation on United States policy regarding military assistance to individual nations or areas, see the indexes of volumes III, IV, V (Part 1), VI, VII, VIII, and IX. Material on United States policy with respect to the acquisition of bases and military air transit rights in specific areas of the world may be found by consulting the indexes of volumes III, V (Part 1), VI, and IX.

<sup>1</sup> Continued from *Foreign Relations*, 1947, vol. 1, pp. 707-780.

Department of State Atomic Energy Files<sup>2</sup>

*Memorandum of Conversation, by Mr. Edmund A. Gullion, Special Assistant to the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] January 27, 1948.

Subject: Professor Niels Bohr's<sup>3</sup> estimate of Russian prospects for atomic weapons.

Participants: Mr. McCloy,<sup>4</sup> President, International Bank  
Mr. Gullion

Mr. McCloy reported on a conversation which he had with Professor Niels Bohr at the latter's experiment station near Copenhagen in October last. Professor Bohr had wanted to talk to him because he knew of Mr. McCloy's membership in the Secretary's Atomic Energy Committee in 1945-1946.<sup>5</sup>

Professor Bohr expressed considerable concern over the rift between east and west which he saw becoming wider as time passed. He thought that this could only lead to catastrophe and he feared for the United States in the event of an atomic war because of the vulnerability of U.S. industrial concentrations and the relative slowness of democratic governments in action. The Russians had a peculiar psychological stimulus to develop the bomb. When the Germans were defeated the Red army seemed to the Kremlin to stand invincible and Soviet power incontestable. Now the coming of the bomb had dashed this prospect.

Professor Bohr thought that the Russians would succeed in developing atomic weapons within sixteen or eighteen months.

Russian nuclear scientists were as capable as any in the world and their numbers were adequate. He knew this by personal contact with them. As for Russian technology, he believed that we underestimated it, especially since we attempted to evaluate it by our own standards. We overlooked the enormous concentration of effort which the Russians could bring to bear under their system of government by disregarding waste of materials and manpower.

In the face of this prospect Professor Bohr thought that some plan ought to be offered to the Russians and that we could still "get through" to the Russian people with such an offer. He believed that scientists working together might produce some plan. He gave no details of what the plan should be.<sup>6</sup>

<sup>2</sup> Lot 57D688, the Department of State consolidated lot file on atomic energy policy, 1944-1962.

<sup>3</sup> Danish theoretical physicist and pioneer in the development of nuclear physics; adviser, Manhattan Engineer District (United States atomic bomb development program), 1943-1945.

<sup>4</sup> John J. McCloy, Assistant Secretary of War, April 1941-November 1945.

<sup>5</sup> Regarding the work of the Secretary of State's Committee, see *Foreign Relations*, 1946, vol. 1, pp. 712 ff.

<sup>6</sup> For information on the proposal Bohr subsequently submitted, see memorandum for the Secretary of State, August 20, 1948, Part 1 of this volume, p. 388.

Policy Planning Staff Files<sup>1</sup>

*Memorandum by the Director of the Policy Planning Staff (Kennan)<sup>2</sup>  
to the Secretary of State and the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] February 24, 1948.

When Mr. Acheson<sup>3</sup> first spoke to me about the Planning Staff, he said that he thought its most important function would be to try to trace the lines of development of our foreign policy as they emerged from our actions in the past, and to project them into the future, so that we could see where we were going.

During the first months of the operation of the Staff, I hesitated to undertake any such effort, because I did not feel that any of us had a broad enough view of the problems involved to lend real value to our estimate.

I have now made an effort toward a general view of the main problems of our foreign policy, and I enclose it as a Staff paper. It is far from comprehensive and doubtless contains many defects; but it is a first step toward the unified concept of foreign policy which I hope this Staff can some day help to evolve.

The paper is submitted merely for information, and does not call for approval. I made no effort to clear it around the Department, since this would have changed its whole character. For this reason, I feel that if any of the views expressed should be made the basis for action in the Department, the views of the offices concerned should first be consulted.

This document should properly have included a chapter on Latin America. I have not included such a chapter because I am not familiar with the problems of the area, and the Staff has not yet studied them. Butler,<sup>4</sup> who is taking over for me in my absence,<sup>5</sup> has had long experience with these problems and I hope that while I am away he and the Staff will be able to work up some recommendations for basic policy objectives with regard to the Latin American countries.

GEORGE F. KENNAN

<sup>1</sup> Lot 64D563, files of the Policy Planning Staff of the Department of State, 1947-1953.

<sup>2</sup> The Policy Planning Staff of the Department of State was established on May 7, 1947, to consider the development of long range policy and to draw together the views of the geographic and functional offices of the Department. With the enactment of the National Security Act of 1947, the Policy Planning Staff undertook responsibility for the preparation of the position of the Department of State on matters before the National Security Council. For additional information on the activities of the Policy Planning Staff and its Director, see George F. Kennan, *Memoirs 1925-1950* (Boston: Little, Brown and Company, 1967), pp. 313-500.

<sup>3</sup> Dean Acheson, Under Secretary of State, August 1945-June 1947.

<sup>4</sup> George H. Butler, Deputy Director of the Policy Planning Staff.

<sup>5</sup> On February 26, Kennan departed for Japan to consult with United States officials. Subsequent illness prevented him from returning to the Department of State until April 19.

[Annex]

*Report by the Policy Planning Staff*

TOP SECRET

PPS/23

[WASHINGTON,] February 24, 1948.

REVIEW OF CURRENT TRENDS  
U.S. FOREIGN POLICY

## I. UNITED STATES, BRITAIN, AND EUROPE

On the assumption that Western Europe will be rescued from communist control, the relationships between Great Britain and the continental countries, on the one hand, and between Great Britain and the United States and Canada on the other, will become for us a long term policy problem of major significance. The scope of this problem is so immense and its complexities so numerous that there can be no simple and easy answer. The solutions will have to be evolved step by step over a long period of time. But it is not too early today for us to begin to think out the broad outlines of the pattern which would best suit our national interests.

In my opinion, the following facts are basic to a consideration of this problem.

1. Some form of political, military and economic union in Western Europe will be necessary if the free nations of Europe are to hold their own against the people of the east united under Moscow rule.

2. It is questionable whether this union could be strong enough to serve its designed purpose unless it had the participation and support of Great Britain.

3. Britain's long term economic problem, on the other hand, can scarcely be solved just by closer association with the other Western European countries, since these countries do not have, by and large, the food and raw material surpluses she needs; this problem could be far better met by closer association with Canada and the United States.

4. The only way in which a European union, embracing Britain but excluding eastern Europe, could become economically healthy would be to develop the closest sort of trading relationships either with this hemisphere or with Africa.

It will be seen from the above that we stand before something of a dilemma. If we were to take Britain into our own U.S.-Canadian orbit, according to some formula of "Union now", this would probably solve Britain's long term economic problem and create a natural political entity of great strength. But this would tend to cut Britain off from the close political association she is seeking with continental nations and might therefore have the ultimate effect of rendering the continental nations more vulnerable to Russian pressure. If, on the other hand, the British are encouraged to seek salvation only in closer association with



their continental neighbors, then there is no visible solution of the long term economic problem of either Britain or Germany, and we would be faced, at the termination of ERP, with another crises of demand on this country for European aid.<sup>6</sup>

To me, there seem only two lines of emergence from this dilemma. They are not mutually exclusive and might, in fact, supplement each other very well.

In the first place, Britain could be encouraged to proceed vigorously with her plans for participation in a European union, and we could try to bring that entire union, rather than just Britain alone, into a closer economic association with this country and Canada. We must remember, however, that if this is to be really effective, the economic association must be so intimate as to bring about a substantial degree of currency and customs union, plus relative freedom of migration of individuals as between Europe and this continent. Only in this way can the free movement of private capital and labor be achieved which will be necessary if we are to find a real cure for the abnormal dependence of these areas on governmental aid from this country. But we should also note carefully the possible implications of such a program from the standpoint of the ITO Charter.<sup>7</sup> As I see it, the draft charter, as well as the whole theory behind our trade agreements program, would make it difficult for us to extend to the countries of western Europe special facilities which we did not extend in like measure to all other ITO members and trade agreement partners.

A second possible solution would lie in arrangements whereby a union of Western European nations would undertake jointly the economic development and exploitation of the colonial and dependent areas of the African Continent. The realization of such a program admittedly presents demands which are probably well above the vision and strengths and leadership capacity of present governments in Western Europe. It would take considerable prodding from outside and much patience. But the idea itself has much to recommend it. The African Continent, is relatively little exposed to communist pressures; and most of it is not today a subject of great power rivalries. It lies easily accessible to the maritime nations of Western Europe, and politically they control or influence most of it. Its resources are still relatively undeveloped. It could absorb great numbers of people and a great deal of Europe's surplus technical and administrative energy. Finally, it would lend to the idea of Western European union that tangible objective for which everyone has been rather unsuccessfully groping in recent months.

<sup>6</sup> For documentation on United States policy with respect to the economic situation in Europe, see vol. III, pp. 352.

<sup>7</sup> For documentation on United States policy with respect to the proposed International Trade Organization, see pp. 802 ff.

However this may be, one thing is clear: if we wish to carry through with the main purpose of the ERP we must cordially and loyally support the British effort toward a Western European union. And this support should consist not only of occasional public expressions of approval. The matter should be carefully and sympathetically discussed with the British themselves and with the other governments of Western Europe. Much could be accomplished in such discussions, both from the standpoint of the clarification of our own policy and in the way of the exertion of a healthy and helpful influence on the Europeans themselves. In particular, we will have accomplished an immense amount if we can help to persuade the Western Europeans of the necessity of treating the Germans as citizens of Europe.

With this in mind, I think it might be well to ask each of our missions in Western Europe to make a special study of the problem of Western European union, both in general and with particular reference to the particular country concerned, and to take occasion, in the course of preparation of this study, to consult the views of the wisest and most experienced people they know in their respective capitals. These studies should be accompanied by their own recommendations as to how the basic problem could best be approached. A digest of such studies in this Department should yield a pretty sound cross-section of informed and balanced opinion on the problem in question.

## II. EUROPEAN RECOVERY PROGRAM

The course of the debates in Congress now makes it possible for us to distinguish with some degree of probability the outlines of the action toward which this Government is moving in the question of aid to Europe.

### 1. *The administration of the program.*

The most significant feature of the emerging recovery program is that it is to be conducted by this Government as a technical business operation and not as a political matter. We must face realistically the fact that this will reduce drastically the program's potential political effect and open up the road to a considerable degree of confusion, contradiction and ineffectiveness in this Government's policies toward Europe. The conduct of relations with the European governments by a separate agency of this Government on matters of such great importance, over so long a period of time, cannot fail to cut deeply into the operations of the Department of State in European affairs and to reduce the prestige, the competence, and the effectiveness of its Missions in Europe.

In these circumstances, the possibilities for the exertion of influence by this Department over the course of our relations with European

countries will become predominantly a matter of the extent to which it can influence national policy through the White House. This means that greatly increased importance must be attached to the means of liaison between the Department and the White House, and particularly to the National Security Council.

But we should not deceive ourselves into hoping that national policy conducted through channels as round about as this, and involving the use of a new and separate organization such as the ERP administration, can be as clear cut or as efficacious as that which could be conducted if policy-making functions continued to rest clearly with the regular agencies of government. No policy can become really effective unless it commands the understanding of those who carry it out. The understanding of governmental policies in the field of foreign affairs cannot be readily acquired by people who are new to that field, even when they are animated by the best will in the world. This is not a matter of briefing, or instructing, which could be done in a short time. It is a matter of educating and training, for which years are required.

Our experience with *ad hoc* wartime and post-hostilities agencies operating in the foreign field has demonstrated that not only are new agencies of little value in executing policies which go beyond the vision and the educational horizon of their own personnel, but that they actually develop a momentum of their own which, in the final analysis, tends to shape—rather than to serve—the national policy.

I do not think that the manner in which this aid program is to be undertaken is necessarily going to mean that its basic purpose will not be served. While we will hardly be able to use U.S. aid tactically, as a flexible political instrument, the funds and goods will nevertheless themselves constitute an important factor on the European scene. The mere availability of this amount of economic assistance will create, so to speak, a new topographic feature against which the peoples of Western Europe will be able to brace themselves in their own struggle to preserve political independence.

But we must recognize that, once the bill has been passed, the matter will be largely out of our hands. The operation of the ERP administration will make it difficult for this Department itself to conduct any incisive and vigorous policy with relation to Europe during the period in question. This does not relieve us, of course, of the duty of continuing to study carefully the development of the European scene and of contributing as best we can to the formulation of national policy relating to the European area. But it thrusts this Department back—with respect to one great area of the world's surface—into the position it occupied in many instances during the recent war:—the position of an advisory, rather than an executive, agency.

## 2. *The time factor and the question of amount.*

The dilatoriness of the Congress in acting on this matter presents a definite danger to the success of the program. A gap between the date on which the aid becomes available and the point to which European reserves can hold out could nullify a great part of the effect of the program.

There is probably not much that we can do, by pleading or urging, to expedite Congressional action. But I think we should state very plainly to Congress the time limits involved (which our own economic analysts must determine) and the possible consequences of delay. Furthermore, we should make clear that aid granted subsequent to the specified time limits cannot be considered as a response to the recommendations of the Executive branch of the Government, and that the latter cannot take responsibility for the desirability or effectiveness of the program in these circumstances.

The same principle applies in case the program is cut in amount below what we consider to be the minimum necessary for the recovery purpose.

In either case, there will be charges we are trying to "dictate" to the Congress. But there is a serious question of responsibility involved here; and the Executive branch of the Government will find itself embarrassed in its future position if it allows itself to be forced now into accepting a share of responsibility for a program of aid which it knows will be too little, too late, or both.

## 3. *The question of European Union.*

The original reaction to the Harvard speech,<sup>\*</sup> both in Europe and here, demonstrated how vitally important to the success of an aid program is the concept of European unity. Unless the program actually operates to bring closer together the countries participating in it, it will certainly fail in its major purpose, and it will not take on, in the eyes of the world public, the dignity and significance which would set it apart from the previous efforts at foreign economy aid.

There is real danger that this basic fact be lost sight of at this stage in the deliberations, not only in the Congress, but also in the Department.

We should therefore make it a point to lose no opportunity to stress this element in the concept of the aid program, and to insist that the principle of collaboration and joint responsibility among the 16 nations be emphasized throughout in our handling of the operation.

<sup>\*</sup> For text of Secretary Marshall's address at commencement exercises at Harvard University, June 5, 1947, see *Foreign Relations*, 1947, vol. III, p. 237, or Department of State *Bulletin*, June 15, 1947, p. 1159.

III. GERMANY<sup>9</sup>

The coming changes with respect to the responsibility for military government in Germany provide a suitable occasion for us to evolve new long-term concepts of our objectives with respect to that country. We cannot rely on the concepts of the existing policy directives. Not only were these designed to meet another situation, but it is questionable, in many instances, whether they were sound in themselves.

The planning to be done in this connection will necessarily have to be many-sided and voluminous. But it is possible to see today the main outlines of the problem we will face and, I think, of the solutions we must seek.

In the long run there can be only three possibilities for the future of western and central Europe. One is German domination. Another is Russian domination. The third is a federated Europe, into which the parts of Germany are absorbed but in which the influence of the other countries is sufficient to hold Germany in her place.

If there is no real European federation and if Germany is restored as a strong and independent country, we must expect another attempt at German domination. If there is no real European federation and if Germany is *not* restored as a strong and independent country, we invite Russian domination, for an unorganized Western Europe cannot indefinitely oppose an organized Eastern Europe. The only reasonably hopeful possibility for avoiding one of these two evils is some form of federation in western and central Europe.

Our dilemma today lies in the fact that whereas a European federation would be by all odds the best solution from the standpoint of U.S. interests, the Germans are poorly prepared for it. To achieve such a federation would be much easier if Germany were partitioned, or drastically decentralized, and if the component parts could be brought separately into the European union. To bring a unified Germany, or even a unified western Germany, into such a union would be much more difficult; for it would still over-weigh the other components, in many respects.

Now a partition of the Reich might have been possible if it had been carried out resolutely and promptly in the immediate aftermath of defeat. But that moment is now past, and we have today another situation to deal with. As things stand today, the Germans are psychologically not only unprepared for any breakup of the Reich but in a frame of mind which is distinctly unfavorable thereto.

In any planning we now do for the future of Germany we will have to take account of the unpleasant fact that our occupation up to this

<sup>9</sup> For documentation on United States policy with respect to the occupation and control of Germany, see vol. II, pp. 1285 ff.

time has been unfortunate from the standpoint of the psychology of the German people. They are emerging from this phase of the post-hostilities period in a state of mind which can only be described as sullen, bitter, unregenerate, and pathologically attached to the old chimera of German unity. Our moral and political influence over them has not made headway since the surrender. They have been impressed neither by our precepts nor by our example. They are not going to look to us for leadership. Their political life is probably going to proceed along the lines of a polarization into extreme right and extreme left, both of which elements will be, from our standpoint, unfriendly, ugly to deal with, and contemptuous of the things we value.

We cannot rely on any such Germany to fit constructively into a pattern of European union of its own volition. Yet without the Germans, no real European federation is thinkable. And without federation, the other countries of Europe can have no protection against a new attempt at foreign domination.

If we did not have the Russians and the German communists prepared to take advantage politically of any movement on our part toward partition we could proceed to partition Germany regardless of the will of the inhabitants, and to force the respective segments to take their place in a federated Europe. But in the circumstances prevailing today, we cannot do this without throwing the German people politically into the arms of the communists. And if that happens, the fruits of our victory in Europe will have been substantially destroyed.

Our possibilities are therefore reduced, by the process of exclusion, to a policy which, without pressing the question of partition in Germany, would attempt to bring Germany, or western Germany, into a European federation, but do it in such a way as not to permit her to dominate that federation or jeopardize the security interests of the other western European countries. And this would have to be accomplished in the face of the fact that we cannot rely on the German people to exercise any self-restraint of their own volition, to feel any adequate sense of responsibility vis-à-vis the other western nations, or to concern themselves for the preservation of western values in their own country and elsewhere in Europe.

I have no confidence in any of the old-fashioned concepts of collective security as a means of meeting this problem. European history has shown only too clearly the weakness of multilateral defensive alliances between complete sovereign nations as a means of opposing desperate and determined bids for domination of the European scene. Some mutual defense arrangements will no doubt be necessary as a concession to the prejudices of the other Western European peoples, whose thinking is still old fashioned and unrealistic on this subject.

But we can place no reliance on them as a deterrent to renewed trouble-making on the part of the Germans.

This being the case, it is evident that the relationship of Germany to the other countries of western Europe must be so arranged as to provide mechanical and automatic safeguards against any unscrupulous exploitation of Germany's preeminence in population and in military-industrial potential.

The first task of our planning will be to find such safeguards.

In this connection, primary consideration must be given to the problem of the Ruhr. Some form of international ownership or control of the Ruhr industries would indeed be one of the best means of automatic protection against the future misuse of Germany's industrial resources for aggressive purposes. There may be other devices which would also be worth exploring.

A second line of our planning will have to be in the direction of the maximum interweaving of German economy with that of the remainder of Europe. This may mean that we will have to reverse our present policies, in certain respects. One of the most grievous mistakes, in my opinion, of our post-hostilities policy was the renewed extreme segregation of the Germans and their compression into an even smaller territory than before, in virtual isolation from the remaining peoples of Europe. This sort of segregation and compression invariably arouses precisely the worst reactions in the German character. What the Germans need is not to be thrust violently in upon themselves, which only heightens their congenital irrationalism and self-pity and defiant nationalism, but to be led out of their collective egocentrism and encouraged to see things in larger terms, to have interests elsewhere in Europe and elsewhere in the world, and to learn to think of themselves as world citizens and not just as Germans.

Next, we must recognize the bankruptcy of our moral influence on the Germans, and we must make plans for the earliest possible termination of those actions and policies on our part which have been psychologically unfortunate. First of all, we must reduce as far as possible our establishment in Germany; for the residence of large numbers of representatives of a victor nation in a devastated conquered area is never a helpful factor, particularly when their living habits and standards are as conspicuously different as are those of Americans in Germany. Secondly, we must terminate as rapidly as possible those forms of activity (denazification, re-education, and above all the Nuremberg Trials) which tend to set up as mentors and judges over internal German problems. Thirdly, we must have the courage to dispense with military government as soon as possible and to force the Germans to accept responsibility once more for their own affairs. They will never begin to do this as long as we will accept that responsibility for them.

The military *occupation* of western Germany may have to go on for a long time. We may even have to be prepared to see it become a quasi-permanent feature of the European scene. But military *government* is a different thing. Until it is removed, we cannot really make progress in the direction of a more stable Europe.

Finally, we must do everything possible from now on to coordinate our policy toward Germany with the views of Germany's immediate western neighbors. This applies particularly to the Benelux countries, who could probably easily be induced to render valuable collaboration in the implementation of our own views. It is these neighboring countries who in the long run must live with any solutions we may evolve; and it is absolutely essential to any successful ordering of western Europe that they make their full contribution and bear their full measure of responsibility. It would be better for us in many instances to temper our own policies in order to win their support than to try to act unilaterally in defiance of their feelings.

With these tasks and problems before us it is important that we should do nothing in this intervening period which would prejudice our later policies. The appropriate offices of the Department of State should be instructed to bear this in mind in their own work. We should also see to it that it is borne in mind by our military authorities in the prosecution of their policies in Germany. These considerations should be observed in any discussions we hold with representatives of other governments. This applies particularly to the forthcoming discussions with the French and the British.

#### IV. MEDITERRANEAN

As the situation has developed in the past year, the Soviet chances for disrupting the unity of western Europe and forcing a political entry into that area have been *deteriorating in northern Europe*, where the greater political maturity of the peoples is gradually asserting itself, but *holding their own*, if not actually increasing, *in the south* along the shores of the Mediterranean. Here the Russians have as assets not only the violent chauvinism of their Balkan satellites but also the desperate weakness and weariness of the Greek and Italian peoples.<sup>10</sup> Conditions in Greece and Italy today are peculiarly favorable to the use of fear as a weapon for political action, and hence to the tactics which are basic and familiar to the communist movement.

It cannot be too often reiterated that this Government does not possess the weapons which would be needed to enable it to meet head-on the threat to national independence presented by the communist ele-

<sup>10</sup> For documentation on United States efforts in support of democratic forces in Italy, see vol. III, pp. 816 ff. Regarding United States economic and military support for Greece, see vol. IV, pp. 1 ff.



ments in foreign countries. This poses an extremely difficult problem as to the measures which our Government can take to prevent the communists from achieving success in the countries where resistance is lowest.

The Planning Staff has given more attention to this than to any single problem which has come under its examination. Its conclusions may be summed up as follows:

(1) The use of U.S. regular armed force to oppose the efforts of indigenous communist elements within foreign countries must generally be considered as a risky and profitless undertaking, apt to do more harm than good.

(2) If, however, it can be shown that the continuation of communist activities has a tendency to attract U.S. armed power to the vicinity of the affected areas, and if these areas are ones from which the Kremlin would definitely wish U.S. power excluded, there is a possibility that this may bring into play the defensive security interests of the Soviet Union and cause the Russians to exert a restraining influence on local communist forces.

The Staff has therefore felt that the wisest policy for us to follow would be to make it evident to the Russians by our actions that the further the communists go in Greece and Italy the more surely will this Government be forced to extend the deployment of its peacetime military establishment in the Mediterranean area.

There is no doubt in our minds but that if the Russians knew that the establishment of a communist government in Greece would mean the establishment of U.S. air bases in Libya and Crete, or that a communist uprising in northern Italy would lead to the renewed occupation by this country of the Foggia field, a conflict would be produced in the Kremlin councils between the interests of the Third Internationale, on the one hand, and those of the sheer military security of the Soviet Union, on the other. In conflicts of this sort, the interests of narrow Soviet nationalism usually win. If they were to win in this instance, a restraining hand would certainly be placed on the Greek and Italian communists.

This has already been, to some extent, the case. I think there is little doubt that the activity of our naval forces in the Mediterranean (including the stationing of further Marines with those forces), plus the talk of the possibility of our sending U.S. forces to Greece, has had something to do with the failure of the satellites, up to this time, to recognize the Markos Government, and possibly also with the Kremlin's reprimand to Dimitrov. Similarly, I think the statement we made at the time of the final departure of our troops from Italy was probably the decisive factor in bringing about the abandonment of the plans which evidently existed for a communist uprising in Italy prior to the spring elections.

For this reason, I think that our policy with respect to Greece and Italy, and the Mediterranean area in general, should be based upon the objective of demonstration to the Russians that:

- (a) the reduction of the communist threat will lead to our military withdrawal from the area; but that
- (b) further communist pressure will only have the effect of involving us more deeply in a military sense.

#### V. PALESTINE AND THE MIDDLE EAST

The Staff views on Palestine have been made known in a separate paper.<sup>11</sup> I do not intend to recapitulate them here. But there are two background considerations of determining importance, both for the Palestine question and for our whole position in the Middle East, which I should like to emphasize at this time.

##### 1. *The British strategic position in the Middle East.*

We have decided in this Government that the security of the Middle East is vital to our own security. We have also decided that it would not be desirable or advantageous for us to attempt to duplicate or to take over the strategic facilities now held by the British in that area. We have recognized that these facilities would be at our effective disposal anyway, in the event of war, and that to attempt to get them transferred, in the formal sense, from the British to ourselves would only raise a host of new and unnecessary problems, and would probably be generally unsuccessful.

This means that we must do what we can to support the maintenance of the British of their strategic position in that area. This does *not mean* that we must support them in every individual instance. It does *not mean* that we must back them up in cases where they have got themselves into a false position or where we would thereby be undertaking extravagant political commitments. It *does mean* that any policy on our part which tends to strain British relations with the Arab world and to whittle down the British position in the Arab countries is only a policy directed against ourselves and against the immediate strategic interests of our country.

##### 2. *The direction of our own policy.*

The pressures to which this Government is now subjected are ones which impel us toward a position where we would shoulder major responsibility for the maintenance, and even the expansion, of a Jewish state in Palestine. To the extent that we move in this direction, we will be operating directly counter to our major security interests

<sup>11</sup> For the views of the Policy Planning Staff on this subject, see PPS 19, January 20, 1948, and PPS 21, February 11, 1948, in vol. v, Part 2, pp. 545 and 619, respectively.

in that area. For this reason, our policy in the Palestine issue should be dominated by the determination to avoid being impelled along this path.

We are now heavily and unfortunately involved in this Palestine question. We will apparently have to make certain further concessions to our past commitments and to domestic pressures.

These concessions will be dangerous ones; but they will not necessarily be catastrophic if we are thoroughly conscious of what we are doing, and if we lay our general course toward the avoidance of the possibility of the responsibility I have referred to. If we do not lay our course in that direction but drift along the lines of least resistance in the existing vortex of cross currents, our entire policy in the Middle Eastern area will unquestionably be carried in the direction of confusion, ineffectiveness, and grievous involvement in a situation to which there cannot be—from our standpoint—any happy ending.

I think it should be stated that if this Government is carried to a point in the Palestine controversy where it is required to send U.S. forces to Palestine in any manner whatsoever, or to agree either to the international recruitment of volunteers or the sending of small nation forces which would include those of Soviet satellites, then in my opinion, the whole structure of strategic and political planning which we have been building up for the Mediterranean and Middle Eastern areas would have to be re-examined and probably modified or replaced by something else. For this would then mean that we had consented to be guided, in a highly important question affecting those areas, not by national interest but by other considerations. If we tried, in the face of this fact, to continue with policy in adjacent areas motivated solely by national interest, we would be faced with a duality of purpose which would surely lead in the end to a dissipation and confusion of effort. We cannot operate with one objective in one area, and with a conflicting one next door.

If, therefore, we decide that we are obliged by past commitments or UN decision or any other consideration to take a leading part in the enforcement in Palestine of any arrangement opposed by the great majority of the inhabitants of the Middle Eastern area, we must be prepared to face the implications of this act by revising our general policy in that part of the world. And since the Middle East is vital to the present security concepts on which this Government is basing itself in its worldwide military and political planning, this would further mean a review of our entire military and political policy.

#### VI. U.S.S.R.

If the Russians have further success in the coming months in their efforts at penetration and seizure of political control of the key coun-

tries outside the iron curtain (Germany, France, Italy, and Greece); they will continue, in my opinion, to be impossible to deal with at the council table. For they will see no reason to settle with us at this time over Germany when they hope that their bargaining position will soon be improved.

If, on the other hand, their situation outside the iron curtain does not improve—if the ERP aid arrives in time and in a form to do some good and if there is a general revival of confidence in western Europe, then a new situation will arise and the Russians will be prepared, for the first time since the surrender, to do business seriously with us about Germany and about Europe in general. They are conscious of this and are making allowance for this possibility in their plans. I think, in fact, that they regard it as the more probable of the two contingencies.

When that day comes, i.e. when the Russians will be prepared to talk realistically with us, we will be faced with a great test of American statesmanship, and it will not be easy to find the right solution. For what the Russians will want us to do will be to conclude with them a sphere-of-influence agreement similar to the one they concluded with the Germans in 1939. It will be our job to explain to them that we cannot do this and why. But we must also be able to demonstrate to them that it will still be worth their while:

(a) to reduce communist pressures elsewhere in Europe and the Middle East to a point where we can afford to withdraw all our armed forces from the continent and the Mediterranean; and

(b) to acquiesce thereafter in a prolonged period of stability in Europe.

I doubt that this task will be successfully accomplished if we try to tackle it head-on in the CFM or at any other public meeting. Our public dealings with the Russians can hardly lead to any clear and satisfactory results unless they are preceded by preparatory discussions of the most secret and delicate nature with Stalin.<sup>12</sup> I think that those discussions can be successfully conducted only by someone who:

(a) has absolutely no personal axe to grind in the discussions, even along the lines of getting public credit for their success, and is prepared to observe strictest silence about the whole proceeding; and

(b) is thoroughly acquainted not only with the background of our policies but with Soviet philosophy and strategy and with the dialectics used by Soviet statesmen in such discussions.

(It would be highly desirable that this person be able to conduct conversations in the Russians' language. In my opinion, this is important with Stalin.)

These discussions should not be directed toward arriving at any sort of secret protocol or any other written understanding. They should be

<sup>12</sup> Joseph Vissarionovich Stalin, Chairman of the Council of Ministers of the Soviet Union.

designed to clarify the background of any written understanding that we may hope to reach at the CFM table or elsewhere. For we know now that the words of international agreements mean different things to the Russians than they do to us; and it is desirable that in this instance we should thresh out some common understanding of what would really be meant by any further written agreements we might arrive at.

The Russians will probably not be prepared to "talk turkey" with us until after the elections. But it would be much easier to talk to them at that time if the discussions did not have to be inaugurated too abruptly and if the ground had been prepared beforehand.

The Russians recently made an interesting approach to Murphy in Berlin, obviously with a view to drawing us out and to testing our interest in talking with them frankly and realistically on the informal plane. I do not think Berlin a desirable place for the pursuit of further discussions of this sort. On the other hand, I do not think that we should give them a complete cold shoulder. We must always be careful not to give discouragement to people in the Kremlin who may urge the desirability of better understanding with us.

I think, in the light of the above, we should give careful attention to the personnel arrangements which we make with relation to the Russian field in the next few months, and that we should play our cards throughout with a view to the possibility of arriving eventually at some sort of a background understanding with the Kremlin. But we must bear in mind that this understanding would necessarily have to be limited and coldly realistic, could not be reduced to paper, and could not be expected to outlast the general international situation which had given rise to it.

I may add that I think such an understanding would have to be restricted pretty much to the European and western Mediterranean areas. I doubt that it could be extended to apply to the Middle East and Far East. The situation in these latter areas is too unsettled, the prospects for the future too confusing, the possibilities of one sort or another too vast and unforeseeable, to admit of such discussions. The only exception to this might be with respect to Japan. It might conceivably be possible for us to achieve some arrangement whereby the economic exchanges between Japan and Manchuria might be revived in a guarded and modified form, by some sort of barter arrangement. This is an objective well worth holding in mind, from our standpoint. But we should meanwhile have to frame our policies in Japan with a view to creating better bargaining power for such discussions than we now possess.

#### VII. FAR EAST

My main impression with regard to the position of this Government with regard to the Far East is that we are greatly over-extended

in our whole thinking about what we can accomplish, and should try to accomplish, in that area. This applies, unfortunately, to the public in our country as well as to the Government.

It is urgently necessary that we recognize our own limitations as a moral and ideological force among the Asiatic peoples.

Our political philosophy and our patterns for living have very little applicability to masses of people in Asia. They may be all right for us, with our highly developed political traditions running back into the centuries and with our peculiarly favorable geographic position; but they are simply not practical or helpful, today, for most of the people in Asia.

This being the case, we must be very careful when we speak of exercising "leadership" in Asia. We are deceiving ourselves and others when we pretend to have the answers to the problems which agitate many of these Asiatic peoples.

Furthermore, we have about 50% of the world's wealth but only 6.3% of its population. This disparity is particularly great as between ourselves and the peoples of Asia. In this situation, we cannot fail to be the object of envy and resentment. Our real task in the coming period is to devise a pattern of relationships which will permit us to maintain this position of disparity without positive detriment to our national security. To do so, we will have to dispense with all sentimentality and day-dreaming; and our attention will have to be concentrated everywhere on our immediate national objectives. We need not deceive ourselves that we can afford today the luxury of altruism and world-benefaction.

For these reasons, we must observe great restraint in our attitude toward the Far Eastern areas. The peoples of Asia and of the Pacific area are going to go ahead, whatever we do, with the development of their political forms and mutual interrelationships in their own way. This process cannot be a liberal or peaceful one. The greatest of the Asiatic peoples—the Chinese and the Indians—have not yet even made a beginning at the solution of the basic demographic problem involved in the relationship between their food supply and their birth rate. Until they find some solution to this problem, further hunger, distress and violence are inevitable. All of the Asiatic peoples are faced with the necessity for evolving new forms of life to conform to the impact of modern technology. This process of adaptation will also be long and violent. It is not only possible, but probable, that in the course of this process many peoples will fall, for varying periods, under the influence of Moscow, whose ideology has a greater lure for such peoples, and probably greater reality, than anything we could oppose to it. All this, too, is probably unavoidable; and we could not hope to combat it without the diversion of a far greater portion of

our national effort than our people would ever willingly concede to such a purpose.

In the face of this situation we would be better off to dispense now with a number of the concepts which have underlined our thinking with regard to the Far East. We should dispense with the aspiration to "be liked" or to be regarded as the repository of a high-minded international altruism. We should stop putting ourselves in the position of being our brothers' keeper and refrain from offering moral and ideological advice. We should cease to talk about vague and—for the Far East—unreal objectives such as human rights, the raising of the living standards, and democratization. The day is not far off when we are going to have to deal in straight power concepts. The less we are then hampered by idealistic slogans, the better.

We should recognize that our influence in the Far Eastern area in the coming period is going to be primarily military and economic. We should make a careful study to see what parts of the Pacific and Far Eastern world are absolutely vital to our security, and we should concentrate our policy on seeing to it that those areas remain in hands which we can control or rely on. It is my own guess, on the basis of such study as we have given the problem so far, that Japan and the Philippines will be found to be the corner-stones of such a Pacific security system and that if we can contrive to retain effective control over these areas there can be no serious threat to our security from the East within our time.

Only when we have assured this first objective, can we allow ourselves the luxury of going farther afield in our thinking and our planning.

If these basic concepts are accepted, then our objectives for the immediate coming period should be:

(a) to liquidate as rapidly as possible our unsound commitments in China and to recover, vis-à-vis that country, a position of detachment and freedom of action;

(b) to devise policies with respect to Japan which assure the security of those islands from communist penetration and domination as well as from Soviet military attack, and which will permit the economic potential of that country to become again an important force in the Far East, responsive to the interests of peace and stability in the Pacific area; and

(c) to shape our relationship to the Philippines in such a way as to permit to the Philippine Government a continued independence in all internal affairs but to preserve the archipelago as a bulwark of U.S. security in that area.

Of these three objectives, the one relating to Japan is the one where there is the greatest need for immediate attention on the part of our Government and the greatest possibility for immediate action. It

should therefore be made the focal point of our policy for the Far East in the coming period.

#### VIII. INTERNATIONAL ORGANIZATION

A broad conflict runs through U.S. policy today between what may be called the universalistic and the particularized approaches to the solution of international problems.

The *universalistic* approach looks to the solution of international problems by providing a universalistic pattern of rules and procedures which would be applicable to all countries, or at least all countries prepared to join, in an identical way. This approach has the tendency to rule out *political* solutions (that is, solutions related to the peculiarities in the positions and attitudes of the individual peoples). It favors legalistic and mechanical solutions, applicable to all countries alike. It has already been embodied in the United Nations, in the proposed ITO Charter, in UNESCO, in the PICAQ, and in similar efforts at universal world collaboration in given spheres of foreign policy.

This universalistic approach has a strong appeal to U.S. public opinion; for it appears to obviate the necessity of dealing with the national peculiarities and diverging political philosophies of foreign peoples; which many of our people find confusing and irritating. In this sense, it contains a strong vein of escapism. To the extent that it could be made to apply, it would relieve us of the necessity of dealing with the world as it is. It assumes that if all countries could be induced to subscribe to certain standard rules of behavior, the ugly realities—the power aspirations, the national prejudices, the irrational hatreds and jealousies—would be forced to recede behind the protecting curtain of accepted legal restraint, and that the problems of our foreign policy could thus be reduced to the familiar terms of parliamentary procedure and majority decision. The outward form established for international dealings would then cover and conceal the inner content. And instead of being compelled to make the sordid and involved political choices inherent in traditional diplomacy, we could make decisions on the lofty but simple plane of moral principle and under the protecting cover of majority decision.

The *particularized* approach is one which is skeptical of any scheme for compressing international affairs into legalistic concepts. It holds that the content is more important than the form, and will force its way through any formal structure which is placed upon it. It considers that the thirst for power is still dominant among so many peoples that it cannot be assuaged or controlled by anything but counter-force. It does not reject entirely the idea of alliance as a suitable



form of counter-force; but it considers that if alliance is to be effective it must be based upon real community of interest and outlook, which is to be found only among limited groups of governments, and not upon the abstract formalism of universal international law or international organization. It places no credence in the readiness of most peoples to wage war or to make national sacrifices in the interests of an abstraction called "peace". On the contrary, it sees in universal undertakings a series of obligations which might, in view of the shortsightedness and timidity of other governments, prevent this country from taking vigorous and incisive measures for its own defense and for the defense of concepts of international relations which might be of vital importance to world stability as a whole. It sees effective and determined U.S. policy being caught, at decisive moments, in the meshes of a sterile and cumbersome international parliamentarianism, if the universalistic concepts are applied.

Finally, the particularized approach to foreign policy problems distrusts the theory of national sovereignty as it expresses itself today in international organization. The modern techniques of aggressive expansion lend themselves too well to the pouring of new wine into old vessels—to the infusion of a foreign political will into the personality of an ostensibly independent nation. In these circumstances, the parliamentary principle in world affairs can easily become distorted and abused as it has been in the case of White Russia, the Ukraine and the Russian satellites. This is not to mention the problem of the distinction between large and small states, and the voice that they should have, respectively, in world affairs.

This Government is now conducting a dual policy, which combines elements of both of these approaches. This finds its reflection in the Department of State, where the functional (or universalistic) concept vies with the geographic (or particularized) in the framing and conduct of policy, as well as in the principles of Departmental organization.

This duality is something to which we are now deeply committed. I do not mean to recommend that we should make any sudden changes. We cannot today abruptly renounce aspirations which have become for many people here and abroad a symbol of our belief in the possibility of a peaceful world.

But it is my own belief that in our pursuance of a workable world order we have started from the wrong end. Instead of beginning at the center, which is our own immediate neighborhood—the area of our own political and economic tradition—and working outward, we have started on the periphery of the entire circle, i.e., on the universalistic principle of the UN, and have attempted to work inward. This has

meant a great dispersal of our effort, and has brought perilously close to discredit those very concepts of a universal world order to which we were so attached. If we wish to preserve those concepts for the future we must hasten to remove some of the strain we have placed upon them and to build a solid structure, proceeding from a central foundation, which can be thrust up to meet them before they collapse of their own weight.

This is the significance of the ERP, the idea of European union, and the cultivation of a closer association with the U.K. and Canada. For a truly stable world order can proceed, within our lifetime, only from the older, mellower and more advanced nations of the world—nations for which the concept of order, as opposed to power, has value and meaning. If these nations do not have the strength to seize and hold real leadership in world affairs today, through that combination of political greatness and wise restraint which goes only with a ripe and settled civilization, then, as Plato once remarked: “. . . cities will never have rest from their evils,—no, nor the human race, as I believe.”

[Here follows Part IX, “Department and Foreign Service.”]

#### X. CONCLUSIONS

An attempt to survey the whole panorama of U.S. policy and to sketch the lines of direction along which this country is moving in its relations with the rest of the world yields little cause for complacency.

We are still faced with an extremely serious threat to our whole security, in the form of the men in the Kremlin. These men are an able, shrewd and utterly ruthless group, absolutely devoid of respect for us or our institutions. They wish for nothing more than the destruction of our national strength. They operate through a political organization of unparalleled flexibility, discipline, cynicism and toughness. They command the resources of one of the world's greatest industrial and agricultural nations. Natural force, independent of our policies, may go far to absorb and eventually defeat the efforts of this group. But we cannot depend upon this. Our own diplomacy has a decisive part to play in this connection. The problems involved are new to us, and we are only beginning to adjust ourselves to them. We have made some progress; but we are not yet nearly far enough advanced. Our operations in foreign affairs must attain a far higher degree of purposefulness, of economy of effort, and of disciplined co-ordination if we are to be sure of accomplishing our purposes.

In the western European area communism has suffered a momentary check; but the issue is still in the balance. This Government has as yet evolved no firm plans for helping Britain meet her basic long-term economic problem, or for fitting Germany into western Europe in a

way that gives permanence of assuring the continued independence and prosperity of the other nations of western Europe.

In the Mediterranean and Middle East, we have a situation where a vigorous and collective national effort, utilizing both our political and military resources, could probably prevent the area from falling under Soviet influence and preserve it as a highly important factor in our world strategic position. But we are deeply involved, in that same area, in a situation which has no direct relation to our national security, and where the motives of our involvement lie solely in past commitments of dubious wisdom and in our attachment to the UN itself. If we do not effect a fairly radical reversal of the trend of our policy to date, we will end up either in the position of being ourselves militarily responsible for the protection of the Jewish population in Palestine against the declared hostility of the Arab world, or of sharing that responsibility with the Russians and thus assisting at their installation as one of the military powers of the area. In either case, the clarity and efficiency of a sound national policy for that area will be shattered.

In the Far East, our position is not bad; and we still have a reasonably firm grip on most of what is strategically essential to us. But our present controls are temporary ones which cannot long endure; and we have not yet worked out realistic plans for replacing them with a permanent structure. Meanwhile, our own public has been grievously misled by the sentimentalists on the significance of the area to ourselves; and we are only beginning with the long and contentious process of re-education which will be necessary before a realistic Far Eastern policy can receive the popular understanding it deserves.

In all areas of the world, we still find ourselves the victims of many of the romantic and universalistic concepts with which we emerged from the recent war. The initial build-up of the UN in U.S. public opinion was so tremendous that it is possibly true, as is frequently alleged, that we have no choice but to make it the cornerstone of our policy in this post-hostilities period. Occasionally, it has served a useful purpose. But by and large it has created more problems than it has solved, and has led to a considerable dispersal of our diplomatic effort. And in our efforts to use the UN majority for major political purposes we are playing with a dangerous weapon which may some day turn against us. This is a situation which warrants most careful study and foresight on our part.

Policy Planning Staff Files

*Memorandum by the Acting Director of the Policy Planning Staff  
(Butler) to the Secretary of State*

SECRET

[WASHINGTON,] March 12, 1948.

MR. SECRETARY: In response to your request, there are set forth below the Policy Planning Staff's views on the UMT statement you are to make before the Senate Armed Services Committee.<sup>1</sup>

The Planning Staff is concerned about the effect that your statement as drafted may have.<sup>2</sup> The reasons for this concern are:

(a) The best information available to the Planning Staff is that the prospects are poor for enactment of the UMT legislation this year, even with the weight of your prestige behind it. This being the case, failure to enact the legislation after your strong testimony in its favor would have a very bad psychological effect abroad, both in discouraging our friends and encouraging further aggressive moves by the USSR;

(b) The accelerated march of events makes necessary an immediate strengthening of our military effectiveness to back our foreign policy. It is the informal opinion of members of the National Security Council Staff that the best way to attain this immediate strengthening of our military position is through measures such as Selective Service;

(c) Your proposed statement might be interpreted to mean that you believe universal military training is adequate to supply the immediate need for a military force strong enough to support our foreign policy;

(d) While your quoted views as Chief of Staff still are valid in support of UMT, the situation they were designed to meet is radically different from the situation that exists today. It seems preferable to refer to or summarize those views and place greater emphasis on other measures which you consider would provide the necessary immediate military backing for our foreign policy.

In light of the above expressed views the Policy Planning Staff submits a suggested redraft of your statement.

GEORGE H. BUTLER

<sup>1</sup> For extracts from Marshall's statement before the Senate Armed Services Committee, March 17, and information regarding the foreign policy aspects of the question of procurement of manpower for the armed forces, see editorial note, p. 538.

<sup>2</sup> Neither the draft statement considered by the Policy Planning Staff nor the revision prepared by the PPS has been found in the files of the Department of State.

711.90/3-1448

*The Director of the Policy Planning Staff (Kennan) to the Secretary of State*

TOP SECRET

MANILA, March 14, 1948.

DEAR MR. SECRETARY: Because time may be short between my return and your departure for Bogotá,<sup>1</sup> and because I have a Sunday to spare here in Manila, I am taking the liberty of setting forth in this letter some thoughts I have had in the course of this trip about our over-all problem in the western Pacific area.<sup>2</sup> Details of this presentation might be changed by further conferences I am scheduled to have here in Manila—but hardly the general picture.

## I. THE SITUATION TODAY

Our most immediate and important problem in the western Pacific area is strategic.

Today, as far as I can learn, we are operating without any over-all strategic concept for the entire western Pacific area.

The situation in the various component areas seems to be as follows: *Japan.*<sup>3</sup>

In Japan, the terms of surrender have been substantially enforced. We are remaining in Japan principally because we have no international mandate to leave. Meanwhile we are occupying ourselves there with

- (a) combatting disease and unrest;
- (b) guiding the Japanese through an elaborate reform program which it will take years to complete and the effects of which on Japanese society are now incalculable;
- (c) running the Japanese economy and trying to bring about recovery—against formidable odds, some of which are of our own making; and
- (d) building up and operating the top-heavy logistical structure (including housing and care of the dependent population) required, under our present procedures, to perform the above functions and to maintain in Japan a combat force of almost negligible proportions.

None of these activities has any particular relationship to our long-term strategic problems. We have formulated no definite objectives with respect to the military security of Japan in the post-treaty period.

<sup>1</sup> Secretary Marshall would attend the Ninth International Conference of American States which met at Bogotá, Colombia, from March 30 to May 2, 1948; for documentation on United States policy with respect to that conference, see vol. ix, pp. 1 ff.

<sup>2</sup> Kennan visited the Philippines before returning to the United States from Japan.

<sup>3</sup> For documentation on United States policy with respect to the occupation and control of Japan, see vol. vi, pp. 647 ff.

Our present establishment could neither conduct ground operations in Japan on any considerable scale nor could it be rapidly withdrawn in an emergency. The problem of its future has not, as far as I can learn, been integrated with the base development in the Marianas and elsewhere, or with the problem of the Ryukyus.

*Korea.*<sup>4</sup>

The presence of our forces in Korea is pursuant to an international mandate which has proved unrealistic and is soon to be swept away by the march of events in that area.

The forthcoming elections in Korea may create in short order a situation which will not only compel us to get out but may also require us to use force to protect our withdrawal. At the present time, our combat strength in Korea, as in Japan, is minimal in comparison with its own logistical structure, and our forces are encumbered with a large body of dependents, whose care and protection absorbs much of their attention.

*The Ryukyus.*

Our forces find themselves in the Ryukyus by virtue of conquest and of a curious international hiatus concerning the future of those islands. Our people everywhere are agreed that Okinawa has great strategic importance, and that we have a serious responsibility to the natives of the islands, whose lives were terribly shattered by the war and who look to us with peculiar confidence and attachment to protect and help them in the future.

Because of the uncertainty, however, concerning the future of the islands, we have been able neither to develop the islands adequately as a U.S. base nor to enter on any serious program of rehabilitation of the civilian economy and social structure. (The communists are beginning to exploit this fact in order to influence local opinion against us.) Our authorities find themselves frustrated at every turn by the complete uncertainty surrounding the political future. Meanwhile neither our presence on the islands nor our plans for the future seem to rest on any firm concept of strategic objectives for the area as a whole.

*The Philippines.*<sup>5</sup>

In the Philippines, we are following a line of conduct which seems to give us the worst of all possible worlds. We maintain bases just large enough to cause anxiety to the Filipinos, who think they would again serve as lightning-rods to attract military operations to the area in

<sup>4</sup> For documentation on United States policy with respect to Korea, see vol. VI, pp. 1079 ff.

<sup>5</sup> For documentation on cooperation between the United States and the Republic of the Philippines, see *ibid.*, pp. 625 ff.

time of war, but not strong enough to give them a real sense of security from renewed invasion. We have a military assistance agreement; but it is being only half-heartedly implemented; and the Filipinos are disgusted and discouraged with its operation.

As far as I can learn we have not made up our minds whether the islands constitute for us

(a) territory which, by virtue of our past commitments, we are morally obligated to defend from invasion as we would our own; or

(b) territory which is important as the location for advance or staging bases useful to U.S. security but which is otherwise of no great military interest to us; or

(c) territory which is of little or no strategic importance to us and where our interests do not warrant the maintenance of base facilities, but where we see ourselves committed by past political engagements and moral considerations to maintain some show of military power.

If any decisions have been taken on these choices, they seem not to be known to the people on the spot.

#### II. LIMITATIONS ON OUR FUTURE EFFORT

In charting a unified strategic concept for the area, we must try to see ourselves realistically and to take account of some of our own congenital limitations in overseas operations in peace time.

To my mind, the most important of these limitations are:

(a) The unstable nature of any U.S. policies requiring recurring grants of money from the Congress for purposes which are not firmly anchored in American public opinion;

(b) The lack of any civilian agency at home properly set up to conduct overseas administration, and the general reluctance of competent American civilians to serve the Government patiently and modestly in remote areas in time of peace; and

(c) The inordinate logistical burden now borne by U.S. force overseas, particularly in areas where dependents are permitted; with the consequent disproportion between combat units and others.

These considerations lead me to feel that extensive garrisoning and civil affairs commitments should be kept to a minimum.

#### III. A SUGGESTED STRATEGIC-POLITICAL CONCEPT

(I apologize for being so bold, as a civilian, to offer suggestions on matters which are largely military; but it is essential that *some* overall pattern including military as well as the political factors be evolved. The suggestions stem from the best advice I could get from a number of competent officers of the armed forces. I put them forward only tentatively, as something to be shot at by the experts when the proper time comes.)

In my opinion the most desirable political-strategic concept for the western Pacific area would be as follows:

1. While we would endeavor to influence events on the mainland of Asia in ways favorable to our security, we would not regard any mainland areas as vital to us.<sup>6</sup> Korea would accordingly be evacuated as soon as possible.

2. Okinawa would be made the center of our offensive striking power in the western Pacific area. It would constitute the central and most advanced point of a U-shaped U.S. security zone embracing the Aleutians, the Ryukyus, the former Japanese mandated islands, and of course Guam. We would then rely on Okinawa-based air power, plus our advance naval power, to prevent the assembling and launching any amphibious force from any mainland port in the east-central or northeast Asia.

3. Japan and the Philippines would remain outside this security area, and we would not attempt to keep bases or forces on their territory, *provided* that they remained entirely demilitarized and that no other power made any effort to obtain strategic facilities on them. They would thus remain neutralized areas, enjoying complete political independence, situated on the immediate flank of our security zone.

The first of these points needs no elaboration. I believe that it coincides with strategic thinking both in Washington and in Tokyo.

As for the second, I know that this coincides with the thinking of General MacArthur,<sup>7</sup> and I think it would have substantially unanimous concurrence of the other senior officers in this area.

As for point 3: again I can say that this meets General MacArthur's views, as far as Japan is concerned. He points out that we cannot expect to maintain strategic facilities in Japan in the post-treaty period unless we wish to open the road to similar demands by others of the Allies. This applies, in his opinion, not only to the Russians: the Chinese and Australians would probably both want bases in Japan if we were to have them. General MacArthur does not consider bases on Japanese territory essential to our defense, as long as Japan itself remains demilitarized and neutralized. I consider that this solution is by far the simplest and most practical from the political standpoint.

As for the Philippines, things are not so simple; and I am sure we will encounter a wide variety of views with respect to this proposal. There does seem, however, to be a pretty unanimous feeling here that we must either do one thing or another with regard to the Philippines: i.e., either we must go in with all four feet on a full-fledged program of military assistance and base development, designed to provide the

<sup>6</sup> For documentation on United States policy with respect to China, see volumes VII and VIII.

<sup>7</sup> General of the Army Douglas MacArthur, Commanding General, United States Army Forces in the Pacific; Supreme Commander, Allied Powers in Japan.



Philippines with a genuine sense of security in the face of the prospect of future invasion, or we must remove our bases entirely from the islands and reduce our military assistance program to something which would be realistic in the light of local conditions. I personally feel that the latter course would be preferable because of the limitations cited above on any large-scale U.S. overseas action in peace time, and because I fail to see what possible motive any potential military opponent of our country could have for invading the Philippines today if we ourselves did not have any military facilities on the islands. I believe that both General Jones, Chief of the Joint U.S. Military Advisory Group, and General Moore, Commanding General of the Philippines-Ryukyus Command, would have some sympathy for this view, although they might not put it just the way I have. Here too, of course, as in the case of Japan, the absence of U.S. bases on the islands would be conditional on the assumption that no other power had military facilities here or showed any intention of seeking any.

The Navy will feel, I am sure, that its needs would not be adequately met by this concept. It will argue that this precludes it from obtaining permanently the facilities it is now enjoying at Yokosuka, in Tokyo Bay, and that there is no other suitable base in the area I am discussing. It rejects the idea of installing itself at Okinawa, remembering the 180 vessels which it lost there in the 1945 typhoon.

I have much sympathy for the Navy's feelings in this matter. Eventually, I suppose, the JCS will have to evaluate its needs from the straight military standpoint. I should be surprised, however, if these needs were to prove great enough to over-ride all the other considerations, political and otherwise, which argue for the concept I have advanced.

If not, then the role of the Navy under this concept, would be as follows:

(a) It would continue to show the flag actively in the entire western Pacific area, making frequent visits to Japanese and Philippine ports along the lines of present policy in the Mediterranean.

(b) We would endeavor to make arrangements whereby we could continue to use the repair and other facilities at Yokosuka on a nominally commercial basis, but actually much as we have been doing since the surrender.

(c) The Navy would install itself as best it can at Okinawa, for shelter and refueling purposes, with due typhoon precautions.

#### IV. IMPLEMENTATION

##### 1. *Japan.*

The recommendations which I am submitting with respect to Japan would serve the concept outlined above.

2. *Korea.*

As I have wired to Butterworth,<sup>8</sup> we should not delay any longer in beginning the gradual removal of our dependents from Korea. Furthermore, I believe that General Hodge<sup>9</sup> should be given authority to go as far as he likes in the immediately forthcoming period along the lines of raising, training and equipping a Korean constabulary. Together with that, our policy should be directed towards the earliest possible withdrawal, with the smallest possible loss of prestige.

3. *Okinawa and the Ryukyus.*

Our first task with regard to Okinawa and the Ryukyus is to terminate the uncertainty surrounding their future. I believe that we should make up our minds right now (preferably in the form of a National Security Council paper) that we intend to hold on to Okinawa and to such other strategic facilities as we require in the archipelago, south of the 29th parallel as long as the present international situation endures. The question of how to make this decision public would then be one of technique, on which Dean Rusk<sup>10</sup> might have some views. Presumably, the question should first be aired and cleared in the UN; but we should accept no solution short of a trusteeship for the islands as a whole and a strategic trusteeship for such of them as we require for our military purposes. If this cannot be obtained in the UN we should not hesitate to make a public announcement to the effect that the circumstances of the war have left us with the *de facto* custody of the Ryukyu people; that they are incapable of looking after their own protection; that in the absence of international agreement as to their future security it would be an act of irresponsibility to leave them defenseless; that on the other hand we cannot proceed with an orderly and progressive rehabilitation and development of life in the islands unless there can be some certainty about the future and unless we can lay plans for some time in advance; and that we have therefore decided that the present status will be continued for a minimum of ten years and as long thereafter as world conditions may necessitate. Having done that, we should then make permanent arrangements for the handling of civilian affairs on the islands and proceed with a vigorous program of base development and of economic rehabilitation. The Okinawans themselves, who constitute the bulk of the population, would be only too pleased with this solution.

It would be further possible, and I think desirable, for us to recruit and train an Okinawan auxiliary force, along the lines of the Philip-

<sup>8</sup> W. Walton Butterworth, Director of the Office of Far Eastern Affairs.

<sup>9</sup> Maj. Gen. John R. Hodge, Commanding General, United States Army Forces in Korea.

<sup>10</sup> Dean Rusk, Director of the Office of United Nations Affairs.

pine Scouts, for various sorts of guard duty, etc., on the islands. This should reduce the logistical burden on our own forces stationed there.

The Army planners are thinking about a scheme, I believe, under which our units would not be permanently stationed at Okinawa but would be rotated fairly frequently; and no dependents would be permitted. I think this would be highly desirable.

#### 4. *The Philippines.*

The implementation of this program with respect to the Philippines would undoubtedly raise delicate political questions on which I am reluctant to comment, in view of my own unfamiliarity with the subject. It is my understanding, however, that the Filipinos are torn on their own thinking on this subject, and that some of them are now toying with the idea that a Philippine Republic having no foreign bases or forces on its territory and relying formally on the United Nations for its security might be no less secure than one which is partially, but inadequately, garrisoned by a great military power; for reasons which must always remain here an object of conjecture and suspicion. I may be wrong on this; but I think that much could be accomplished in bringing them around to our way of thinking if we were first to make up our own minds and if then someone with full authority to speak for our Government in these matters were to talk the matter out with Roxas<sup>11</sup> and explain to him something of our thinking as well as some of the strategic facts governing their own position. In any case, by offering to withdraw our bases we would force the Filipinos to ask specifically for their retention if they still wanted them. This would enable us to name our terms and would place responsibility squarely on the Philippine Government for retention of the facilities in whatever form we might arrange.

In my view, any military withdrawal from the Philippines should be accompanied by a continuation, and even accentuation, of all our non-military activities here, and with loyal and generous assistance to the Philippine Government in any training programs of a semi-military nature, such as constabulary or guerrilla organization, which might be feasible. We are seriously committed by our past statements to aid these people where we can. I am persuaded that it is useless for them to try to maintain—and therefore useless for us to help them to maintain—a regular modern armed force. The standards of public health throughout the country are still not adequate to the maintenance of effective reserve strength. And the finances will not permit, within the foreseeable future, the maintenance of a standing force on a scale that could play any serious part in the *prevention* of invasion against major attack. Guerrilla forces are another matter. These re-

<sup>11</sup> Manuel Roxas, President of the Republic of the Philippines.

quire no higher central organization and no elaborate technical equipment or training. They lie close to the instincts of the people and to the geographic character of the country. They could play a serious part in frustrating the long-term objectives of a possible invader.

The above is only a rough outline, and would stand a lot of polishing.

I have talked mostly about military matters; but my interest in this concept stems directly from the fact that it would provide us with the basis of a political program for this area. If we knew that these proposals, or something like them, constituted our long-term strategic concept, we would have firm points of orientation for our short-term policies in this area. We could then approach the immediate questions of the Jap peace treaty, the Ryukyus, and our base difficulties in the Philippines, in a confident and consistent manner; and I think we could avoid most of the pitfalls which now seem to me to loom across our path. But without some such concept, we cannot move at all. In drafting my own recommendations on Japan, I was obliged to assume some over-all concept; and the one I assumed was the one outlined above.

I need hardly stress the desirability of an early clarification of our policy in this area in view of the trend of world events and the necessity of having all our hatches battened down for the coming period.

I expect to be home about March 24. Presumably, we will then be able to proceed to the working out of a firm government position on these questions. Meanwhile, I hope the considerations set forth above may be of some interest and value to you.

Very respectfully yours,

GEORGE F. KENNAN

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#### *Editorial Note*

In a special message to Congress on March 17, 1948, President Truman, expressing grave concern regarding the situation in Europe, requested the reenactment of selective service to supply the authorized strength of the armed forces and the enactment of a universal military training program to provide for long term security. For text of the President's address, see *Public Papers of the Presidents of the United States: Harry S. Truman*, 1948 (Washington, Government Printing Office, 1964), page 182, or Department of State *Bulletin*, March 28, 1948, page 418.

Means for fulfilling the manpower requirements of the armed forces in view of threatening international conditions had been under advisement since the expiration of selective service legislation on March 31, 1947. On June 4, 1947, President Truman transmitted to Congress "A Program for National Security, May 29, 1947, Report of the Presi-

dent's Advisory Committee on Universal Training," and urged early consideration of the subject; for text of the President's letter of transmittal, see *Public Papers of the Presidents of the United States: Harry S. Truman*, 1947 (Washington, Government Printing Office, 1963), page 263. The House Armed Services Committee held hearings on UMT, but Congress took no action on the question in 1947.

The President's budget message, January 12, 1948, included a request for funds for UMT; for text, see *Presidential Papers*, 1948, page 19. Secretary of Defense James Forrestal recorded in his diary that at the Cabinet meeting of January 30, the Secretary of State "spoke with great vigor as to the necessity of the UMT Program. . . . Just as in the case of ERP, he pointed out that the money spent on the UMT program would convince the world that we were ready to follow through on our policy at all times and thereby would in the long run result in the saving of very large sums. Once the world was convinced of that fact, it would then be possible to begin the re-establishment of some kind of political balance and stability throughout the world." (Walter Millis (ed.), *The Forrestal Diaries* (New York, Viking Press, 1951), page 369) At the meeting of the National Security Council on February 12, Marshall, speaking in support of UMT, commented that the United States position in international affairs was that of playing with fire while having nothing with which to put it out (*ibid.*, page 373).

In early February, the retiring Army Chief of Staff, General Dwight D. Eisenhower, in a memorandum to the Secretary of Defense, asserted that unless means were found to maintain the strength of the Army, Germany and the Far East "would have to be abandoned to chaos and Communism." (*Ibid.*, pages 369-370.) On February 18, at the White House, Major General Alfred M. Gruenther, Director of the Joint Staff of the Joint Chiefs of Staff, made a presentation demonstrating the disparity between military strength and international commitments. The President, the Secretaries of State, Defense, and Army and the Joint Chiefs of Staff attended the briefing. (*Ibid.*, pages 374-377.)

In a memorandum to the Joint Chiefs of Staff, March 11, the new Army Chief of Staff, General Omar N. Bradley, stated the following:

"1. For some time the international situation has been deteriorating. Recent events in Czechoslovakia,<sup>1</sup> Finland<sup>2</sup> and Italy give every indi-

<sup>1</sup> For documentation on the attitude of the United States with respect to the Czechoslovak governmental crisis of February and its aftermath, see vol. IV, pp. 733 ff.

<sup>2</sup> For documentation on United States interest in Finland's relations with the Soviet Union and the threatened Communist seizure of power, see *ibid.*, pp. 759 ff.

cation that the situation will further deteriorate. There is no indication that the U.S.S.R. will modify its aggressive efforts in the near future.

2. Under present unsettled world conditions United States forces may be called upon for service in areas considered vital to her security. In addition to obligations which this government may be required to meet on behalf of the United Nations, a future crisis may force the deployment of U.S. troops in Italy, Greece, Trieste<sup>3</sup> or the Middle East. The present explosive world situation, with international frictions increasing, the possibility that the U.S. may increase on short notice the commitments which the National Military Establishment must fulfill, makes it mandatory that we retain always a mobile striking force to preclude enemy action. If U.S. troops are committed in those areas, it is essential that they be deployed in a strength and composition commensurate with their missions. Since such missions might well be of prolonged duration, it is possible that a large portion or all of the strategic reserve would be committed for a considerable period of time.

3. Although the European Recovery Program may have a beneficial effect on the U.S. efforts to counter the spread of Communist forces, there is no assurance that ERP alone will attain that end.

4. Dependent as it is upon the volunteer system of recruitment, the Army is short today 121,000 men of its present authorized strength of 669,000. By 31 December it is estimated that this shortage will increase to 167,000 despite all the intensive efforts in behalf of recruiting exerted by the Army. In the meantime, commitments and missions of the Army have remained heavy, resulting in a steady decline in the strength and efficiency of the occupation forces and the Army General Reserve, and the consequent inability of the Army to back up our country's policies." (811.2222/3-1148)

On March 2, Secretary Marshall, Lovett, Secretary Forrestal, and others conferred to consider means for expediting Congressional action on UMT (Millis, *Forrestal Diaries*, pages 384-385). Forrestal, on March 8, met with Senate Armed Services Committee, which voted unanimously to start hearings (*ibid.*, pages 388-389). On March 12, the Joint Chiefs of Staff and Forrestal, meeting at Key West, Florida, concluded that UMT alone was not sufficient since it could not furnish necessary manpower fast enough. The conference decided to support immediate restoration of selective service. (*Ibid.*, pages 390-393.)

On March 17, following the President's message, the Senate Armed Services Committee began hearings on the overall military manpower problem. The statement that day by the Secretary of State included the following:

"The accelerating march of events in European areas has now made it clear that reliance for the future of those areas cannot be placed alone on the slow processes of reconstruction financed with our help. There is something more for the United States to do. We must show,

<sup>3</sup> For documentation on United States policy toward the Free Territory of Trieste, see vol. III, pp. 502 ff.

conclusively, by decisive legislative action, to all the nations of the world that the United States intends to be strong and to hold that strength ready to keep the European world both at peace and free.

Diplomatic action, without the backing of military strength, in the present world can lead only to appeasement . . . . We desire a state of affairs which would make repetitions of the fate of Hungary<sup>4</sup> and Czechoslovakia, the intimidation of Finland, the subversive operations in Italy and France,<sup>5</sup> and the cold-blooded efforts to destroy the Greek Government unlikely, because they would definitely be fraught with real danger to those who would attempt such action."

Marshall stated that he saw no possible way financially to maintain a reasonable military posture except on the basis of universal military training. Necessary also, he said, in view of the rapid dwindling in the strength of the armed forces, was temporary application of selective service. For the full text of Marshall's remarks, see the Department of State *Bulletin*, March 28, 1948, page 421, or U.S. Congress, Senate Committee on Armed Services, *Hearings on Universal Military Training*, March-April, 1948, 80th Cong., 2nd sess., page 3.

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<sup>4</sup> For documentation on United States concern regarding events in Bulgaria, Hungary, and Romania, see vol. iv, pp. 279 ff.

<sup>5</sup> For documentation on United States relations with France, see vol. III, pp. 592 ff.

711.61/3-2348

*Memorandum by the Secretary of State to the Secretary of Defense*  
(Forrestal)

CONFIDENTIAL

WASHINGTON, March 23, 1948.

I have only had an opportunity hastily to scan this draft of statement<sup>1</sup> that Cutler sent us for your appearance before the Armed Services Committee on Thursday.<sup>2</sup> I questioned the wisdom at this time of a stark comparison of this nature between the forces disposed of by the Soviet Union and those of the free world. I am not questioning the accuracy, although I assume the figures on the Soviet Union are at best nothing but guesses. The political effect of this comparison would be very serious in Europe, especially the statement as to

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<sup>1</sup> Not found in the files of the Department of State.

<sup>2</sup> On Thursday, March 25, Forrestal, supported by the Service Secretaries and the Joint Chiefs of Staff, presented the administration's program for Universal Military Training and Selective Service to the Senate Armed Services Committee. The Secretary of Defense called for an increase of authorized strength of the armed forces by approximately 350,000 men, the drafting of 220,000 men for two years service, "universal military training" for about 850,000 18 and 19 year olds for one year, and the appropriation of an additional \$3 billion for defense. For text of his statement, see U.S. Congress, Senate Committee on Armed Services, *Hearings on Universal Military Training*, March-April, 1948, 80th Cong., 2nd sess., p. 3.

the number of weeks it would take for Russia to reach the Atlantic and the Pyrenees. In France, particularly, such a statement would be very disheartening. It would, I am afraid, undo much of the good abroad of the President's address.

While we cannot afford to bluff in this matter, the struggle is still in its political phase and anything which tends to reduce the will to resist in the Western democracies is a loss to us and a gain to the Soviets. The picture which this presents is one of such hopelessness from a military point of view that it will not only dishearten free Europe, but will have a direct effect on ERP. There is no note of confidence in the ability of free Europe backed by us to give pause to the Russians.

Furthermore, we are not at all certain that the Russians are convinced that the military advantage lies so heavily on their side. They sometimes have a tendency to be caught in their own propaganda which, as you know, is to the effect that imperialist America is rushing around to take over the world.

I have the further reaction that the statement is drafted in such a form that it is more a preliminary to war than a proposal for preparation to avoid war.

In a letter to me a few days ago, Mr. Stimson<sup>3</sup> made this comment:

"I have been thinking hard on the Russian problem, and would give anything for a chance to talk it over with you sometime, if it would help you at all. But among the people I see oftenest down here, the main necessity is to urge caution lest we go too far in aggressiveness;—that is, however, in all respects except military training—the most important military task."

I feel in looking over the various speeches I have made recently, particularly those on the West Coast,<sup>4</sup> those of the President, and what you and I have said to Committees of the Congress, that we can overdo the statement of the case to the extent which would leave us open to the charge that we had provoked a war, deliberately or otherwise.

G. C. MARSHALL

<sup>3</sup> Henry L. Stimson, Secretary of War, January 1940–September 1945.

<sup>4</sup> For text of Marshall's address at the University of California, Berkeley, March 19, 1948, see Department of State *Bulletin*, March 28, 1948, p. 422.



501.BD-Human Rights/3-2448

*Memorandum by the Director of the Office of United Nations Affairs  
(Rusk) to the Secretary of State*

[WASHINGTON,] March 26, 1948.

Mr. John Foster Dulles<sup>1</sup> will call on the Secretary at 2:00 p. m. on Friday, March 26. He wishes to discuss the ideas contained in the attached note. It has to do with organizing further efforts within the United Nations to deal with the indirect type of aggression being perpetrated by the Soviet Union.

The Secretary may wish to keep the following points in mind in discussing the matter with Mr. Dulles:

1. The problem which Mr. Dulles wishes to discuss is being studied in the most intensive manner in the Department. We recognize that war may not be an effective way of dealing with this particular kind of aggression and that new and bold political techniques will be required.

2. We would greatly appreciate any further development of thoughts on specific machinery and specific proposals which Mr. Dulles might make.

3. We have called together a number of senior officers in the Department to discuss this with Mr. Dulles after he leaves the Secretary's office.<sup>2</sup>

[Annex]

*Mr. John Foster Dulles to the Director of the Office of United Nations  
Affairs (Rusk)*

CONFIDENTIAL

New York, March 24, 1948.

DEAR DEAN: I enclose herewith two copies of a memorandum on which I hope to speak to you on the telephone later this evening.

Sincerely yours,

JOHN FOSTER DULLES

<sup>1</sup> Lawyer; acknowledged as a Republican Party expert on foreign relations; frequent member of United States Delegations to the United Nations General Assembly and the Council of Foreign Ministers since 1945.

<sup>2</sup> The following notation by the Secretary of State appears on the source text: "I told him to talk to Mr. Rusk, who is authorized to discuss the proposition."

[Subannex]

*Memorandum by Mr. John Foster Dulles*

[NEW YORK,] March 24, 1948.

It is difficult to define Soviet aggression in terms of our old international conceptions. It does not involve the marching of hostile troops across a boundary line. The aggression is primarily against individual rights and freedoms and the use of terror to stifle opposition.

Today there is hardly anyone in Europe or Asia who does not feel that if he asserts himself in a manner displeasing to the Soviet Communist Party, he will be, or shortly may be, liquidated. That terror is having a tremendous effect upon the willingness of people to oppose Soviet penetration and upon their ability to plan and work creatively. That is not a tolerable state of affairs.

The United Nations was designed to prevent such a condition. The Preamble to the Charter expresses the faith of the peoples of the United Nations in fundamental human rights and in the dignity and worth of the human person and their determination to practice tolerance. The United Nations was designed to develop such ideals into international law and to establish a police force to protect them. It was recognized that to do this on a universal basis would be slow, but it was assumed that victory in World War II would provide a period of time in which to develop protection against another World War before such a war would be a substantial risk. Now it seems that that assumption was unfounded. It may, therefore, be necessary in the first instance to establish law and order on a less than universal basis for fear is spreading and the ideals of the United Nations already are being undermined.

The Charter does not prevent progress on a less than universal basis. It expressly recognizes the inherent right of individual or collective self-defense. We believe that those nations which can agree on what are human rights and fundamental freedoms and who can agree on what constitutes an attack upon those rights and freedoms, should at once do so. Also, we believe that they should establish a joint force to protect those who would exercise those rights. It would be purely defensive and not aggressive against any nation. It would stop the growing reign of terror and would liberate effort for what is creative.

S/S-NSC Files : Lot 63D351 :<sup>1</sup> NSC 7 Series

*Report to the National Security Council<sup>2</sup> by the Executive Secretary  
(Souers)*

TOP SECRET  
NSC 7

[WASHINGTON,] March 30, 1948.

NOTE BY THE EXECUTIVE SECRETARY TO THE NATIONAL SECURITY COUNCIL ON THE POSITION OF THE UNITED STATES WITH RESPECT TO SOVIET-DIRECTED WORLD COMMUNISM

The enclosed report on the above subject has been prepared by the National Security Council Staff on its own initiative, with the advice and assistance of representatives of the Departments of State, the Army, the Navy, and the Air Force, and of the National Security Resources Board and the Central Intelligence Agency.

The enclosed report is submitted for consideration by the National Security Council and, as adopted, for submission to the President with the recommendation that he approve the conclusions contained therein and direct that they be implemented by all appropriate Executive Departments and Agencies of the US Government under the coordination of the Secretary of State.<sup>3</sup>

SIDNEY W. SOUERS

<sup>1</sup> Serial master file of National Security Council documentation and related Department of State material for the years 1947-1961, retired by the Executive Secretariat of the Department of State.

<sup>2</sup> The National Security Council (NSC) was established by the National Security Act of July 26, 1947 (PL 253, 80th Congress; 61 Stat. (pt. 1) 495). Its membership included the President, the Secretaries of State, Defense, the Army, the Navy, and the Air Force, and the Chairman of the National Security Resources Board. The duties of the NSC as specified by the National Security Act were:

(1) to assess and appraise the objectives, commitments, and risks of the United States in relation to our actual and potential military power, in the interest of national security, for the purpose of making recommendations to the President in connection therewith; and

(2) to consider policies on matters of common interest to the departments and agencies of the Government concerned with the national security, and to make recommendations to the President in connection therewith.

For extensive additional information on the functions and administrative structure of the Council, see *Organizing for National Security: an Inquiry* of the Subcommittee on National Policy Machinery, Senator Henry M. Jackson, Chairman, for the Committee on Government Operations, United States Senate, 3 vols. (Washington: Government Printing Office, 1961), particularly volume II, Studies and Background Materials.

<sup>3</sup> This report was cancelled at the 27th Meeting of the National Security Council, November 23, 1948, in view of NSC action on the NSC 20 series. For the text of NSC 20/4, approved at that meeting, see p. 662.

[Enclosure]

REPORT BY THE NATIONAL SECURITY COUNCIL ON THE POSITION OF THE  
UNITED STATES WITH RESPECT TO SOVIET-DIRECTED WORLD  
COMMUNISM

THE PROBLEM

1. To assess and appraise the position of the United States with respect to Soviet-directed world communism, taking into account the security interests of the United States.

ANALYSIS

2. The ultimate objective of Soviet-directed world communism is the domination of the world. To this end, Soviet-directed world communism employs against its victims in opportunistic coordination the complementary instruments of Soviet aggressive pressure from without and militant revolutionary subversion from within. Both instruments are supported by the formidable material power of the USSR and their use is facilitated by the chaotic aftermath of the war.

3. The defeat of the Axis left the world with only two great centers of national power, the United States and the USSR. The Soviet Union is the source of power from which international communism chiefly derives its capability to threaten the existence of free nations. The United States is the only source of power capable of mobilizing successful opposition to the communist goal of world conquest. Between the United States and the USSR there are in Europe and Asia areas of great potential power which if added to the existing strength of the Soviet world would enable the latter to become so superior in manpower, resources and territory that the prospect for the survival of the United States as a free nation would be slight. In these circumstances the USSR has engaged the United States in a struggle for power, or "cold war", in which our national security is at stake and from which we cannot withdraw short of eventual national suicide.

4. Already Soviet-directed world communism has achieved alarming success in its drive toward world conquest. It has established satellite police states in Poland, Yugoslavia, Albania, Hungary, Bulgaria, Rumania, and Czechoslovakia; it poses an immediate threat to Italy, Greece, Finland, Korea, the Scandinavian countries, and others. The USSR has prevented the conclusion of peace treaties with Germany, Austria,<sup>4</sup> and Japan; and has made impossible the international control of atomic energy and the effective functioning of the United Nations. Today Stalin has come close to achieving what Hitler attempted in vain. The Soviet world extends from the Elbe River and

<sup>4</sup> Documentation on efforts to secure peace settlements for Germany and Austria is included in volume II.

the Adriatic Sea on the west to Manchuria on the east, and embraces one-fifth of the land surface of the world.

5. In addition, Soviet-directed world communism has faced the non-Soviet world with something new in history. This is the world-wide Fifth Column directed at frustrating foreign policy, dividing and confusing the people of a country, planting the seeds of disruption in time of war, and subverting the freedom of democratic states. Under a multitude of disguises, it is capable of fomenting disorders, including armed conflicts, within its victim's territory without involving the direct responsibility of any communist state. The democracies have been deterred in effectively meeting this threat, in part because communism has been allowed to operate as a legitimate political activity under the protection of civil liberties.

6. In its relations with other nations the USSR is guided by the communist dogma that the peaceful co-existence of communist and capitalist states is in the long run impossible. On the basis of this postulate of ultimate inevitable conflict, the USSR is attempting to gain world domination by subversion, and by legal and illegal political and economic measures, but might ultimately resort to war if necessary to gain its ends. Such a war might be waged openly by the USSR with her satellites, or might be waged by one or a combination of the satellites with the avowed neutrality or disapproval of the USSR, though with her covert support. However, the Soviet Union so far has sought to avoid overt conflict, since time is required to build up its strength and concurrently to weaken and divide its opponents. In such a postponement, time is on the side of the Soviet Union so long as it can continue to increase its relative power by the present process of indirect aggression and internal subversion.

7. In view of the nature of Soviet-directed world communism, the successes which it has already achieved, and the threat of further advances in the immediate future, a defensive policy cannot be considered an effectual means of checking the momentum of communist expansion and inducing the Kremlin to relinquish its aggressive designs. A defensive policy by attempting to be strong everywhere runs the risk of being weak everywhere. It leaves the initiative to the Kremlin, enabling it to strike at the time and place most suitable to its purpose and to effect tactical withdrawals and diversions. It permits the Kremlin to hold what it has already gained and leaves its power potential intact.

8. As an alternative to a defensive policy the United States has open to it the organization of a world-wide counter-offensive against Soviet-directed world communism. Such a policy would involve first of all strengthening the military potential of the United States, and secondly, mobilizing and strengthening the potential of the non-Soviet

world. A counter-offensive policy would gain the initiative and permit concentration of strength on vital objectives. It would strengthen the will to resist of anti-communist forces throughout the world and furnish convincing evidence of US determination to thwart the communist design of world conquest. It should enlist the support of the American people and of the peoples of the non-Soviet world. It would be consistent with the national objectives of the United States. This policy, in fact, would be the most effective way of deterring the USSR from further aggression. Such aggression might ultimately require the United States, in order to sustain itself, to mobilize all of its resources against the continued threat of war, resulting in the creation of a vast armed camp within its borders. In the latter eventuality, rigid economies, regimentation and a fear psychosis might easily promote the very conditions in the United States that we are determined to eliminate elsewhere in the world. The measures adopted under a counter-offensive policy need not be inconsistent with the purposes and principles of the United Nations. We would continue to support the United Nations within the limits of its capabilities, and seek to strengthen it.

#### CONCLUSIONS

9. The defeat of the forces of Soviet-directed world communism is vital to the security of the United States.

10. This objective cannot be achieved by a defensive policy.

11. The United States should therefore take the lead in organizing a world-wide counter-offensive aimed at mobilizing and strengthening our own and anti-communist forces in the non-Soviet world, and at undermining the strength of the communist forces in the Soviet world.

12. As immediate steps in the counter-offensive, the United States should take the following measures:

##### *a. Domestic*

(1) Strengthen promptly the military establishment of the United States by:

- (a) Initiation of some form of compulsory military service.
- (b) Reconstitution of the armaments industry.

(2) Maintain overwhelming US superiority in atomic weapons. (In the event of international agreement on the control of atomic weapons this conclusion should be reconsidered.)

(3) Urgently develop and execute a firm and coordinated program (to include legislation if necessary) designed to suppress the communist menace in the United States in order to safeguard the United States against the disruptive and dangerous subversive activities of communism.

(4) To the extent necessary to implement (1) above, initiate civilian and industrial mobilization.

(5) Vigorously prosecute a domestic information program, designed to insure public understanding and non-partisan support of our foreign policy.

*b. Foreign:*

(1) In our counter-offensive efforts, give first priority to Western Europe. This should not preclude appropriate efforts in the case of other countries of Europe and the Middle East, which are immediately threatened by world communism and where loss of freedom would most seriously threaten our national security.

(2) Urgently adopt and implement the European Recovery Program.

(3) Strongly endorse the Western Union and actively encourage its development and expansion as an anti-communist association of states.

(4) Work out an appropriate formula which will provide for:

(a) Military action by the United States in the event of unprovoked armed attack against the nations in the Western Union or against other selected non-Communist nations.

(b) Initiation of political and military conversations with such nations with a view to coordination of anti-Communist efforts.

(5) Assist in building up the military potential of selected non-communist nations by the provision of machine tools to rehabilitate their arms industries, technical information to facilitate standardization of arms, and by furnishing to the extent practicable military equipment and technical advice.

(6) When we have developed a program for suppressing the communist menace in the United States (12-a-(3) above), cooperate closely with governments which have already taken such action and encourage other governments to take like action.

(7) Encourage and assist private United States citizens and organizations in fostering non-communist trade union movements in those countries where that would contribute to our national security. Measures of assistance should include consideration of individual income-tax deductions for that purpose.

(8) Intensify the present anti-communist foreign information program.

(9) Develop a vigorous and effective ideological campaign.

(10) Develop, and at the appropriate time carry out, a coordinated program to support underground resistance movements in countries behind the iron curtain, including the USSR.

(11) Establish a substantial emergency fund to be used in combatting Soviet-directed world communism.

(12) Make unmistakably clear to the Kremlin at an opportune time, and in an appropriate manner, United States determination to resist Soviet and Soviet-directed communist aggression so as to avoid the possibility of an "accidental" war through Soviet miscalculation of how far the Western Powers might be pushed.

13. Effectuation of the above policies requires bi-partisan support.

761.00/4-148

*The Ambassador in the Soviet Union (Smith) to the Secretary of State*

[Extract]

TOP SECRET

Moscow, April 1, 1948.

No. 315

SIR: I have the honor to enclose a report entitled "Soviet Intentions" which has been prepared by the Joint Intelligence Committee with the assistance of specialists in the various sections of the Embassy, including consultation with the Military, Naval and Air Attachés, who concur in its findings.

As will be noted, the question which the Committee set out to answer was whether, from the Kremlin's point of view and taking into consideration all the factors affecting the present international situation, the Soviet Union would resort to military action in the immediate future in support of its objectives of Communist expansion. The conclusions of the report attempt not only to answer this question, but also to stipulate those conditions under which the Soviet Government might undertake military action and those under which it might defer such action to pursue another course.

It is recognized that the data available to the Embassy are limited and that in Washington it may be possible to supplement the material which is presented here, particularly with regard to those political, economic and military resources outside the Soviet Union which would be available to it for the furtherance of its objectives.<sup>1</sup>

Respectfully yours,

W. B. SMITH

<sup>1</sup> The views and materials contained in this despatch were considered in the preparation by the Policy Planning Staff of its report no. 33 dated June 23, 1948, entitled "Factors Affecting the Nature of the U.S. Defense Arrangements in the Light of Soviet Policies." This report is printed as NSC document 20/2, August 25, 1948, p. 615. The Embassy in the Soviet Union at the end of the year reflected upon some of the events and factors which had transpired after the preparation of despatch 315, and made a review of its original estimates in telegram 3008 from Moscow on December 23, 1948; see vol. iv, p. 943.



## [Enclosure—Extracts]

*Report on "Soviet Intentions" Prepared by the Joint Intelligence Committee, American Embassy, Moscow, U.S.S.R., April 1, 1948*

## I. THE PROBLEM

Taking into consideration all the factors affecting the present international situation, will the Soviet Union resort to military action in the immediate future in support of its objectives of Communist expansion or will it continue to attempt to secure its objectives by other means?

## II. FACTS BEARING ON THE PROBLEM

(See Appendix A)<sup>2</sup>

## III. DISCUSSION

(See Appendix B)

## IV. CONCLUSIONS

1. The Soviet Union will not deliberately resort to military action in the immediate future but will continue to attempt to secure its objectives by other means.

2. The decision whether or not to resort to military action is under constant review and will be made at that moment when the Soviet Government is convinced that measures short of war will fail to secure its objectives and that the economic and military strength of the United States and Western Europe is being successfully developed. It is conceivable that conditions impelling this decision might arise this year but they are far more likely to develop between one and two years from now.

3. The decision for or against war will be based on the following factors:

a. The Soviet Union will resort to military action if convinced that the immediate military strength of the United States and Western Europe, while inferior to that of the Soviet Union in probable areas of operations, is likely to increase in the future to Soviet disadvantage, and that immediate war offers the best chance of successfully advancing toward ultimate Soviet objectives.

b. The Soviet Union will defer military action if confronted by such a rapid and positive growth of United States and Western Europe strength, particularly during 1948, as to convince the Soviet Government that the outcome of war would be doubtful. In such case Soviet policy would be directed to the consolidation of Communist control

<sup>2</sup> This 47-page Appendix is not printed. In it, the facts bearing on the problem are treated under these four main headings: 1. Analysis of Military Factors; 2. Analysis of Economic Factors; 3. Analysis of Propaganda and Morale Factors; and 4. Analysis of Political Factors.

behind the iron curtain and to increased pressure in colonial and dependent areas, Middle and Far East, in the belief that the natural weakening of the capitalist system would produce more favorable conditions in the future for the inevitable world conflict.

#### Appendix B

#### DISCUSSION

##### *Military*

The Red Army and Soviet air forces are capable of taking continental Europe and key areas of Asia within a few months. It is improbable that the British Isles could be subjected to air attacks to the extent that their use as bases by the United States and British air forces would be impossible. Occupation of Europe would make Mediterranean Sea routes difficult, but it is improbable that the use of air bases in northern Africa would be denied thereby to the United States and its allies.

Soviet forces could hold European territory for at least two years before the United States and her allies could assemble and supply a force sufficiently strong to attempt a continental invasion. At least during the early months of this period, in spite of long ranged Western air attacks, the Soviet Union would be able to improve its air defenses in preparation for the greatly increased air attacks that would be expected later. In the race for air supremacy which would occur during this period, the U.S.S.R. would profit by the acquisition of factories and skilled workmen in Europe, but the resources, experience, ability and capacity of the United States in production of aircraft would be expected to outdistance the accomplishments of the U.S.S.R.

The atomic bomb is a factor which would of course be given due consideration in any decision by the Kremlin to initiate military action. Its effectiveness, however, depends upon the ability of the United States to use the bomb against cities and industrial areas of the Soviet Union to disrupt or paralyze its war effort. At present the United States has only limited means for employing the atomic bomb against the U.S.S.R. and it is possible that in addition to its natural geographic advantages, the Soviet Union may develop defensive measures that would minimize the effect of the atomic bomb. Other weapons of mass destruction are similar to the atomic bomb in that their use is limited by other capabilities. Development of long-range rocket missiles is still in an elementary stage. The Soviet Union may possess the atomic bomb within the next three to four years and can possibly develop and produce currently a means for its delivery, but the United States will retain its initial superiority in this respect for a number of years.

While from a military viewpoint the Soviet Union could immediately secure control of Europe, it would be in a better position to maintain permanently such control given a further period of peacetime development of war potential. Inability of the Soviet Union to defeat the United States within a period of a few years and to prevent widespread devastation of Soviet territory would jeopardize the life of the Communist regime.

The factors affecting the eventual outcome of a war of world scale between the United States and the USSR are not susceptible of exact analysis. The acceptance by the United States of European domination by the Soviet Union would be a victory for the latter and enable the "cold" war of Communism vs. Capitalism to be continued. To defeat the Soviet Union it would undoubtedly be necessary for the United States to launch and support overseas operations of enormous magnitude and would require that American superiority in mobility and production be fully and completely exploited. The overwhelming strength of the United States Navy would enable the United States to seize and exploit the initiative at the most opportune time. Such an effort however would be on a gigantic scale, and would require such an enormous expenditure of men and materiel and would have to be continued for such a long period of time that it might become unpopular in the mind of the United States citizens, who might bring about a change of government policy. In any case, it would appear, at the present time, as though the eventual outcome of a long war would be a gamble and therefore to be undertaken by the Kremlin only as a last resort.

### *Economic*

The economy of the Soviet Union has reached a stage where it is capable of supporting a military operation by the Red Army involving the occupation of Europe and key areas of Asia. While its productive capacity may be somewhat below that of 1940, it is certainly greater than in the years of 1942 to 1943, even taking into account Lend-Lease deliveries. A decided advantage is the state control and ownership of all industry which permits the development of a thorough-going war economy even while technically at peace, thus avoiding the difficulties attendant on the conversion from peace to war production in free capitalist systems.

The occupation of Europe would substantially improve the economic potential of the Soviet Union by providing additional productive capacity and force of skilled and semi-skilled labor, as well as indigenous resources. However, even then the economic potential of the United States would be far superior to that of the Soviet Union. This factor would to some extent be offset by the capacity of Soviet

forces to operate with less materiel than required by military forces of Western powers and by the extremely low standards of living which would be imposed on occupied territories as well as in the Soviet Union itself, thereby reducing consumer production to an irreducible minimum. In a long war of attrition, the Soviet leaders would undoubtedly feel that mineral resources would play an important part. During World War II, the United States with its tremendous productive capacity, drew on its mineral resources to an alarming extent, reducing its petroleum reserves, for example, to an estimated twenty years reserve at the peacetime rate. In the Soviet Union, the consumption of mineral resources is limited both by production capabilities and lack of exploitation. Military effort would be expended by the Soviet Union in denying to the United States foreign mineral resources, particularly oil.

Naturally, support of a long war by the Soviet economy is contingent upon its ability to operate without effective war damage either to its industries or to its distribution system. The tremendous distances and dispersion of Soviet industry make it relatively invulnerable to war damage. On the other hand, the importance of transportation facilities are correspondingly magnified thus tending to offset its invulnerability. Furthermore, in long-range aerial warfare the technical superiority of the United States should grow progressively greater.

While, in general, considerations indicate that the Soviet Union is prepared economically for war, nevertheless, a few more years of peace would enable the Soviet Union to make additional gains which would be highly desirable. Restoration of industry and transport in western Russia could be completed. Time would provide opportunity for the exploitation of the economics of satellite states as well as those of the former Baltic republics. At the same time, the program for the development of the Urals and Siberian areas, started before World War II, would be carried on under the current five-year plans.

### *Morale*

The nature of the Soviet regime is such that it can implement by propaganda any policy which may be decided upon whether aggressive or defensive, and whether calling for peace or war. Therefore the Soviet propaganda machine could effectively support a war whether it occurred now or in the future.

It is believed that the Soviet leaders would give careful attention to the status of morale at any time when military action might be initiated. War now would be unpopular with the Russian people. Not having yet recovered from the gigantic losses of the past war, the people look forward with hope to a generally better life. It is recog-

nized, however, that immediate victories would stimulate the inherent qualities of patriotism and so long as the war progressed successfully it might be expected to receive popular support. However, if hostilities were prolonged and if signs developed that the Soviet Union was losing its favorable position and that prospect of victory was distant, a serious break in morale might occur. At such time those minority nationalist groups in the population which are controlled successfully in normal times by totalitarian methods might become active and threaten the stability of the regime. While morale would not be a decisive factor in timing the risk of war, the Kremlin leaders might expect that a few more years would improve the economic well-being of the population and thereby toughen morale. This would not be true, however, if, because of increased strength and obvious intent of the west to be ready for war, the Soviet authorities have to divert more and more of their economic effort to building up war potential in contrast to consumer goods production.

### *Political*

Communist control of eastern Europe is being consolidated and the economic strength and reliability of the Soviet orbit countries may be expected to improve with time. April elections in Italy may result in sufficient Communist parliamentary strength to guarantee a Communist government within the present year.<sup>3</sup> Communist control of Italy would provide impetus to the French Communist party, which might then conceivably win control of the government within a relatively short period. With Communist control of France and Italy established, Communist influence might be expected to increase rapidly in other Western European countries and avenues opened up for extension of Communist activities in the colonial world from Dakar to Saigon. Western Germany would become an untenable island in a Communist sea.

Tactics of organized strikes and disorders carried out by Communist Parties might be expected successfully to sabotage and negate the effect of the Marshall Plan.

In other areas of the world there would be no reason to change present methods of extending Communist influence. Communist control of Manchuria and significant parts of China is practically assured with the Soviet position in North Korea secure enough to permit extension of control to South Korea whenever American forces are withdrawn. Communist influence in Africa, the Near and Middle East can be successfully extended through Palestine, restive minority groups and Italian and French colonies.

<sup>3</sup> The elections held in Italy on April 18, 1948, resulted in a notable victory for the Christian Democratic Party in both houses of the Legislature.

The Soviet Union is undoubtedly convinced that the United States will not initiate war so long as present Soviet methods of extending control by "peaceful parliamentary penetration" are employed.

Should the Italian elections result in an unexpected defeat for the Communist Party, the USSR will intensify its campaign to sabotage and destroy the effectiveness of Western Union and the Marshall Plan. Every effort will be exhausted to capture the French and Italian governments by making impossible orderly government by any other political factions or coalitions.

However, should it become clear that Communist Party tactics in western Europe are failing, that the Marshall Plan is successfully developing the economic potential and political stability of non-Communist Europe, and that the United States is prepared to extend military guarantees to Western Union, then the Soviet Government may resort to direct military action. In reaching such a decision, the Kremlin leaders would be convinced that further delay favors the United States and Western Union and that war with the United States offers the Soviet Union a reasonable chance of success.<sup>4</sup>

The danger point will be reached when the leaders of the Soviet Government become convinced that measures short of war are failing, and, if events favor the non-Communist world, such point could be reached as early as within the present year, although it is far more likely that it will develop between one and two years from now.

However, if the Kremlin is not convinced that it can hold and consolidate its initial gains in the event of war with the United States, it still may not take the decision to risk war and with the usual patient historical perspective of Communists, await a more favorable time.

At that time of decision, the Soviet leaders will weigh their military, economic and political resources as well as the morale of the Russian people and their ability to support and withstand a long destructive war. If they then believe that such a war eventually would seriously weaken the "Communist Empire" and would threaten the very existence of the Soviet regime and world Communism, they might temporarily renounce the conquest of Western Europe and turn to consolidating Communist control of the Middle and Far East and to creating

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<sup>4</sup>In the section on the "Analysis of Political Factors" in Appendix A, these thoughts in relation to the United States were summarized in these words: "The Kremlin has counted on an economic crisis, the cumbersome methods of democratic governmental machinery, and the indifference of American public opinion to foreign affairs, particularly in a presidential election year, to weaken the relative position of the United States. However, such events as the institution of compulsory military training, expeditious implementation of the Marshall Plan and the extension of military guarantees to Western Union might easily cause a revision of such estimates. If the Kremlin should conclude that the relative position of the two countries is changing to the disadvantage of the U.S.S.R., it is conceivable that a decision to risk war might at that time be taken."

an impregnable Communist fortress in Europe. They might then expect the inherent weaknesses in the capitalist world to develop and the relative position of the capitalist and Communist worlds to improve for the latter over a period of years.

The Soviet Union will not risk war in the immediate future; however, there is real danger of war within one or two years. The only deterrent at that time would be solid conviction by the Soviet Government that in fact the United States was preponderant in military strength and potential and that war would eventually result in peril to the Communist regime.

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Policy Planning Staff Files

*Memorandum by the Assistant Secretary of State for Economic Affairs (Thorpe) to the Secretary of State*

TOP SECRET

[WASHINGTON,] April 7, 1948.

Subject: NSC Report No. 7, The Position of the United States with Respect to Soviet-Directed World Communism.<sup>1</sup>

Most of the recommendations in this National Security Council report deserve our support. There is one general theme missing, however, that I consider of the highest importance.

The writers of the report have stressed the measures to be taken to combat the activities of the Communists themselves. The report gives little or no attention to the problem of attacking Communism at its roots, by eliminating the evils for which many Europeans consider Communism the cure. What I find missing is the necessary stress on positive measures directed toward building a democratic alternative.

It seems quite clear to me that Communism has grown in Western Europe not simply through the activities of Soviet inspired and guided leaders, but as a result of more fundamental causes. The Balkan states represented in substantial degree the Marxist concept of monopoly—capitalism with wide class differentials. The growth of Communism in Western countries is a symptom that there has been, and is, something wrong in these countries, and that it is so wrong that people seeking remedies have accepted even the intellectual dishonesty and disregard for human rights that Communism—like Fascism—represents. If this is true, it is not enough simply to cut off the heads of Communists wherever they appear. One must go to the root of the matter, creating conditions which are satisfactory enough so that Communism will not exert the strong appeal which it now exerts in much of Europe.

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<sup>1</sup> March 30, p. 545

Two conditions are necessary before Europe will be able to free itself of this disease. One is an economic and political system that works well enough to satisfy the legitimate needs and aspirations of the great majority of the population in each country. The second is a burning faith in and enthusiasm for democratic institutions that are consistent with, although not necessarily identical with, our own democratic institutions.

Communism feeds on unemployment and economic distress. The European Recovery Program is designed to bring about substantial improvement in the economic health of Europe, and support for this Program should continue to be an integral part of our overall foreign policy. I believe that our interest in it goes, however, much further than simply seeing that the funds available are used as efficiently as possible and distributed where they will achieve the greatest good. We want to see Europe a functioning economic organism with as full employment and as high a standard of living as possible. This calls for a reduction in nationalism, and we should interest ourselves intimately in the details of Europe's recovery and developing integration and we should throw all our weight behind plans that make economic sense for an integrated Europe, and against economic measures that tend to be disruptive or to favor small groups at the expense of others.

Communism also feeds on political frustration. There is wide-spread distrust of politicians and of political democracy in many countries in Western Europe. We obviously cannot interfere in the political institutions of these countries but I believe we should give support to political parties that offer Europeans a positive program suited to Europe's political needs and development, rather than looking for parties and individuals who seem to represent most exactly the political and economic ideology that has been successful in America. In effect, this may mean support of the moderate Socialist parties of Europe.

Building enthusiasm, after or concurrently with economic and political measures, requires an aggressive ideological campaign whose goal should be the raising of a flag of human freedom that all European parties except the authoritatively minded could rally around. We ourselves must show that Democracy can work, and our campaign should stress the way it does work, at its best. (This has obvious implications for our own internal policy, in demonstrating by our own example that the Communist charges of instability, exploitation, and discrimination are untrue.) We need to wage a much bigger and more imaginative propaganda campaign than we are now doing, to arouse the enthusiasm of Europeans for the democratic institutions which constitute the main modern alternative to Communism. If we are to rob Communism of its attraction as a panacea for Europe's economic



and social ills, then we must support and publicize with every means at our disposal the effective working out of our democratic alternative.

As an example, we must convince European workingmen that our labor movement is vital, vigorous and effective. At the moment, it is probably the strongest in the world. A number of our best labor leaders should be enlisted in going to Europe and boasting of their achievements in the United States, instead of allowing the picture of American labor to be built up from the debates on the Taft-Hartley Act.

Related to the above are my thoughts about the report's proposal of measures to "suppress the Communist menace in the United States" and abroad. It seems clear to me that a positive program such as that suggested above will be attacking the disease and make much less necessary the suppression of Communist activities. Furthermore, I think there is a very real question concerning how successful a program of suppression is likely to be in any case. Measures to exclude Communists from Government positions and from jobs in any strategic industry are certainly desirable. So are measures to publicize the Communist affiliations and sympathies of all persons demonstrated to have them. But if suppression means to put all Communists in jail, I think the measure will defeat itself, as J. Edgar Hoover<sup>2</sup> has suggested. It is much better to leave Communists enough civil liberties so that they stay out in the open and can be identified than to drive them underground. This means, for example, that freedom of speech, of assembly and of the press should probably not be denied to Communists, but it does not at all mean that Communists should be recognized as political parties, given time on the air as political parties, allocated newsprint where newsprint is under allocation, or in any other way treated as a desirable expression of a minority opinion. A program of discouragement that denies to Communists all of the positive aids that political parties receive in this country but allows them to exist above ground where their activities can be identified without denying the basic freedoms for which our Democracy has always stood, seems to me a more feasible treatment of Communists both in this country and abroad than the program implied by the term "suppress" in this report. We must avoid any appearances of behaving like a "police state".

Following the same general line of reasoning as my first major point, I question the definition used on page 6, paragraph b3, where the recommendation is made that we support the Western Union as "an anti-Communist association of states". I think it would lead to much more effective action if in our thinking and our actions we considered the Western Union and, in fact, the whole United States effort as being

<sup>2</sup> Director of the Federal Bureau of Investigation.

pro-Democratic rather than anti-Communist. Pro-Democratic of course implies anti-Communist, but it goes far further in suggesting that emphasis be placed upon a constructive alternative to Communism.

On page 7, paragraph 5, I have some question as to how far we should rehabilitate the arms industry of non-Communist nations where their conquest might leave such war potential resources in the hands of the Russians, rather than continuing ourselves as the major arsenal of Democracy and attempting to stress the economic rehabilitation of non-armament industries in Western Europe particularly. This has a political as well as a military aspect. To the extent that other countries expend their scarce economic resources (fuel, power, manpower, raw materials) on armaments production they will have proportionately less to devote to civilian production, and their dependence on us for assistance in the form of civilian goods will be thereby increased and prolonged. I think it will be politically easier and make better military sense for us to look toward a time when these countries are economically independent (exclusive of their war industries) and when we provide the armaments, rather than looking toward a long continuing economic dependence on us for both civilian and military supplies.

On page 8, paragraph 9, I think it is clear from my first major point that a vigorous and effective ideological campaign should be given a much larger part in our anti-Communist effort than seems to be implied in this report.

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Policy Planning Staff Files

*Memorandum by the Acting Director of the Policy Planning Staff  
(Butler) to the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] April 9, 1948.

NSC 7, dated March 30, 1948, a paper on "The Position of the United States with Respect to Soviet-Directed World Communism", has been distributed to National Security Council members, but has not yet been put on the agenda for a Council meeting.

While recognizing the shortcomings of the paper, some members of the Planning Staff thought it contained a few specific recommendations of value and that Council approval would do no harm. Messrs. Bohlen,<sup>1</sup> Rusk, Henderson,<sup>2</sup> Hickerson<sup>3</sup> and Butterworth think the paper is too general, that the recommendations are not clear and specific enough, and that it is not a satisfactory document for approval

<sup>1</sup> Charles E. Bohlen, Counselor of the Department.

<sup>2</sup> Loy W. Henderson, Director of the Office of Near Eastern and African Affairs.

<sup>3</sup> John D. Hickerson, Director of the Office of European Affairs.

by NSC on an important problem. They do recognize the urgency of the problem but do not think this paper is the answer.

Mr. Kennan feels very strongly that the Secretary and he should have an opportunity to study and comment on the paper before the National Security Council members consider it. Mr. Bohlen concurs in this view. The Planning Staff so recommends.

If you approve, I will informally and orally request Admiral Souers to defer placing the paper on the agenda pending further clearance from State. He may need some moral support, since the Military Establishment wants a policy paper on this subject.<sup>4</sup>

[Here follows discussion regarding anti-communist measures within the inter-American system; for documentation on that subject, see volume IX, pages 193 ff.]

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<sup>4</sup>The source text bears Lovett's initial indicating approval of the suggested action. In a marginal notation, the Under Secretary made the following additional comment: "I think the paper is inadequate and will give a false impression if not revised—as an *initial* study it may have value."

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Policy Planning Staff Files

*Memorandum by the Secretary of Defense (Forrestal) to the National Security Council*

TOP SECRET

WASHINGTON, 17 April 1948.

Subject: The Position of the United States with Respect to Soviet-Directed World Communism.

The Joint Chiefs of Staff have studied NSC 7, a report by the National Security Council staff on "The Position of the United States with Respect to Soviet-Directed World Communism". and have submitted their views with respect thereto to me. In order to give every member of the Council the maximum opportunity to study these views before the paper comes up for final consideration by the Council, I am not delaying their transmittal pending my own study thereof.

The views of the Joint Chiefs of Staff are as follows:

They are in general agreement with the analysis contained in this paper, particularly as to the critical nature of the world situation and the necessity for a United States policy directed toward preservation of our national security.

Their comment follows on those conclusions in the report which have military implications. (The conclusions in each case are reproduced for ready reference.)

9. *The defeat of the forces of Soviet-directed world communism is vital to the security of the United States.*

10. *This objective cannot be achieved by a defensive policy.*

11. *The United States should therefore take the lead in organizing a world-wide counter-offensive aimed at mobilizing and strengthening our own and anti-communist forces in the non-Soviet world, and at undermining the strength of the communist forces in the Soviet world.*

These conclusions are concurred in. It is assumed that they are to be construed in a general sense, with reference to general attitude and objectives, and not as having implications literally involving military action of consequence at this time, since appropriate readiness is an essential prerequisite to such action.

12. *As immediate steps in the counter-offensive, the United States should take the following measures:*

12. a. (1) *Strengthen promptly the military establishment of the United States by:*

- (a) *Initiation of some form of compulsory military service.*
- (b) *Reconstitution of the armaments industry.*

12. a. (4) *To the extent necessary to implement (1) above, initiate civilian and industrial mobilization.*

The Joint Chiefs of Staff fully agree with the intent of these conclusions. From the military viewpoint they regard the proposed measures not so much as "immediate steps in the counter-offensive" as steps in arriving at appropriate military readiness in light of the obviously worsening world situation.

They believe that measures that should now be taken should provide not only for increased military manpower (not limited to present peacetime strength) but also for increased appropriations necessary for strengthening our National Military Establishment. With respect to the proposed initiation of civilian and industrial mobilization they believe, from the military point of view, that because of the inherent and quite possibly critical length of time required for legislative action, the necessary statutory authorizations should be sought now for civilian and industrial readiness, such authorizations to correspond to those found essential during World War II and to be invoked as and to the extent required.

If political considerations should result in determination that this step is not now practicable, every possible effort should be devoted now to advance planning directed toward reduction to a minimum of the time lag between decision and action when legislative steps of this nature do become politically expedient.

In essence, the basic objectives should be that measures taken now for strengthening promptly the National Military Establishment should meet at least the requirements for effective emergency action, and that, to every practicable extent, provision should be made for extending the scope of such measures to all-out war effort without avoidable delay.

12. a. (2) *Maintain overwhelming United States superiority in atomic weapons. (In the event of international agreement on the control of atomic weapons this conclusion should be reconsidered.)*

This conclusion is concurred in.

12. b. (1) *In our counter-offensive efforts, give first priority to Western Europe. This should not preclude appropriate efforts in the case of other countries of Europe and the Middle East, which are immediately threatened by world communism and where loss of freedom would most seriously threaten our national security.*

This conclusion is concurred in.

12. b. (4) *Work out an appropriate formula which will provide for:*

(a) *Military action by the United States in the event of unprovoked armed attack against the nations in the Western Union or against other selected non-communist nations.*

(b) *Initiation of political and military conversations with such nations with a view to coordination of anti-communist efforts.*

The Joint Chiefs of Staff do not disagree with the intent of the conclusion in subparagraph (a) above. From the military viewpoint, however, they must point out the extreme importance to our national security of keeping our military capabilities abreast of our military commitments. Thus, effective implementation of the conclusion in subparagraph (a) above would be impracticable if "unprovoked armed attack" should occur while our military capabilities are inadequate. Therefore, this conclusion, if approved, will make it more than ever essential to accomplish at once at least the degree of military strengthening set forth in comment on conclusions 12 a (1) and 12 a (4) above.

With reference to conclusion in subparagraph (b) above, the general intent is concurred in. Military conversations should, of course, not antedate political decisions and commitments, and should remain within the scope of such commitments and decisions.

12. b. (5) *Assist in building up the military potential of selected non-Communist nations by the provision of machine tools to rehabilitate their arms industries, technical information to facilitate standardization of arms, and by furnishing to the extent practicable military equipment and technical advice.*

The Joint Chiefs of Staff are unable to subscribe fully to this conclusion. They believe that machine tools should be supplied only when their exportation does not interfere with our own needs and that due consideration should be given to the possibility that the Soviets may easily capture armament plants in certain locations.

12. b. (10) *Develop, and at the appropriate time carry out, a coordinated program to support underground resistance movements in countries behind the iron curtain, including the USSR.*

With reference to military equipment implications that might be embraced in this conclusion, the provision of such equipment would necessarily be subject to availabilities and priorities with respect to our own direct military requirements and those included in authorized aid programs.

12. b. (12) *Make unmistakably clear to the Kremlin at an opportune time, and in an appropriate manner, United States determination to resist Soviet and Soviet-directed communist aggression so as to avoid the possibility of an "accidental" war through Soviet miscalculation of how far the Western Powers might be pushed.*

Because of the ambiguity of the phrases "unmistakably clear", "opportune time" and "appropriate manner", there is considerable doubt as to how it may be intended to implement this conclusion. Possible interpretations are so broad, however, that the Joint Chiefs of Staff must again point out the danger that would be involved in commitment to a policy inappropriate to military strength. That is, they believe there should be due recognition of the possibility (one with historical precedent) that we ourselves may miscalculate how far we may go in opposition to the USSR, particularly opposition unaccompanied by appropriate readiness, without causing the Soviets to determine that immediate initiation of open warfare is, from their viewpoint, mandatory.

JAMES FORRESTAL

S/S-NSC Files : Lot 63D351 : NSC 5 Series

*Memorandum by the Secretary of Defense (Forrestal) to the National Security Council*<sup>1</sup>

TOP SECRET

[WASHINGTON,] April 19, 1948.

NSC 5/3 ANNEX

Subject: The Position of the United States with Respect to Greece.

In response to a memorandum from the Executive Secretary of the National Security Council to them dated 24 February 1948, on the subject of "The Position of the United States with Respect to Greece",<sup>2</sup> the Joint Chiefs of Staff have prepared the following statement of views in which I concur:

Certain views of the Joint Chiefs of Staff, previously furnished the National Security Council through the Secretary of Defense, have important bearing on the military implications of the courses of action set forth and the questions asked in the subject memorandum. These

<sup>1</sup> Circulated in the National Security Council as the Annex to NSC 5/3, May 25, 1948; for the text of NSC 5/3 itself, see vol. iv, p. 93.

<sup>2</sup> Not printed.

views are summarized below for ready reference and are followed by some amplification and discussion based on careful consideration of the current military picture as a whole. As will be seen, this memorandum and the recommendations made herein by the Joint Chiefs of Staff are generally applicable to the contents of the subject memorandum. Specific comments on the subject memorandum are contained, however, in the Appendix <sup>3</sup> hereto and are consistent with the body of this paper.

a. Any deployment of United States armed forces in the Eastern Mediterranean or the Middle East will, in view of our present extended position, automatically raise the question of the advisability of partial mobilization, and any deployment there in appreciable strength will make partial mobilization a necessity.<sup>4</sup>

b. The over-all world situation has deteriorated to such a degree as to dictate the necessity for strengthening immediately the potential of our National Military Establishment. Some form of compulsory military service will be required to attain additional strength and should be initiated at once.

c. Since neither limited nor general mobilization will result in appreciable augmentation of our combat strength for at least one year *after mobilization is actually initiated*, decision as to the timing of steps to accomplish any mobilization should take into full account the inherent lag between such steps and the combat availability of resultant forces. "Appreciable augmentation" in this statement is intended to mean augmentation justifying other than relatively minor commitment of our forces.

The statement in *c* above is of major importance in connection with the subject memorandum, since it is designed to make clear that no military commitment with implications extending to likelihood of major military involvement should be made unless preceded by mobilization. A similar view was included in a memorandum to the Secretary of Defense dated 19 February 1948 regarding the Italian situation.<sup>5</sup>

With general application to the situation in Greece, the dispatching of military forces to that country, token or in strength (as discussed in detail in the Appendix), would be militarily unsound.

a. Unless it is *known* that we are ready and able to back them up to any extent that will be reasonably necessary and

b. Unless our best intelligence indicates that such a move will not precipitate overt action by Soviet satellites or USSR forces, since

<sup>3</sup> Not printed.

<sup>4</sup> In a letter of April 19 to the Secretary of State, Forrestal discussed the implications for United States military posture of a possible commitment of troops for United Nations use in Palestine. Under Secretary of State Lovett replied on April 23. For the texts of this exchange, see vol. v, Part 2, pp. 832 and 851, respectively.

<sup>5</sup> For text, see vol. III, p. 770.

neither the geographical position and terrain of Greece nor our over-all military strategy justify commitment to major operations in that country and

c. Unless we have determined that we do not need nor intend to undertake military action elsewhere with our currently relatively weak forces.

The current belief that the USSR does not plan overt warfare for at least five years is not necessarily correct and there is increasing doubt in many quarters as to its soundness. In any event, circumstances may change, quite possibly with considerable rapidity, in such a way as to invalidate the "five-year" reasoning.

The current situation leaves no doubt that the USSR if *planning* war only at a later date, may nevertheless miscalculate the degree of our determination to resist further Soviet encroachment. Also, unpredictable and little known internal conditions in the USSR could result in Soviet decision to initiate war even though not presently planned.

A further, quite distinct, possibility (and one with historical precedent) is that we ourselves may miscalculate how far we may go in opposition to the Soviets, particularly opposition unaccompanied by appropriate readiness, without causing them to determine that immediate initiation of open warfare is, from their viewpoint, mandatory.

It is possible, though most unlikely, that open warfare, if and when it develops, will be of a localized nature in one or more areas and hence relatively minor for a considerable period. If this possibility could be relied upon, it would indicate only that there may be time for real preparedness if action to that end is taken now. If it cannot be relied upon, which is at least equally probable, the steps necessary for real preparedness should already have been initiated.

Since their primary peacetime interests and responsibilities rest in military readiness appropriate to the world situation, the Joint Chiefs of Staff do not offer the possibility of continued peace as a result of a strengthened United States military posture as a justification for preparedness. As they see it, the point is, rather, that whether or not the probability of war will be lessened by increasing our military strength, that probability will *certainly continue and increase as long as we remain weak.*

It is fully realized that some calculated risks, in terms of over-all national policy, must be taken. The question, however, is one of degree. In simplest terms, it is plain that, whether or not either the USSR or the United States now intends to persist in the present struggle to the extent of open warfare, the possibility of this result is so evident that it would be not a calculated but an incalculable risk for the United



States to postpone further the steps for readiness demanded by ordinary prudence.

While the Joint Chiefs of Staff should not be expected to make recommendation as to whether or not the United States should risk major or global warfare, it is manifestly their responsibility to point out that the consequences would be very grave indeed if action, in advance of adequate military readiness on our part, should lead unavoidably to major commitment.

Therefore, in light of the foregoing discussion and of the obviously worsening world situation; and having further considered matters leading to their statement of 10 March 1948<sup>a</sup> that compulsory military service is now essential, the Joint Chiefs of Staff recommend that the following action, the equivalent of the initiation of mobilization, be taken:

*a.* That measures to the extent set forth in subparagraphs *b* and *c* below be initiated and that the necessary steps for their initiation be taken at once because of the pressing nature of our need for increased strength and the inherent and dangerous time interval required, *after* decision and *before* preparedness, first for legislative action and then for implementation.

*b.* That these measures include not only increased military manpower (not limited to present peacetime strength) and increased appropriations necessary for strengthening the potential of our National Military Establishment in all respects, but also the necessary statutory authorizations for civilian and industrial readiness, corresponding to those found essential during World War II and to be invoked as and to the extent required.

*c.* That these measures meet at least requirements for effective emergency action and be so planned that it will be practicable to extend their scope to all-out war effort without avoidable delay.

*d.* That every effort be made to avoid military commitment with implications extending to likelihood of major military involvement unless preceded by preparedness at least to the extent set forth above.

FORRESTAL

<sup>a</sup> Statement not found in the files of the Department of State; regarding the views of the Joint Chiefs of Staff on this subject, see the editorial note on p. 538.

Bureau of Economic Affairs Files<sup>1</sup>*Current Economic Developments*<sup>2</sup>

SECRET

[WASHINGTON,] May 10, 1948.

No. 150

[Here follows discussion of subjects not related to "Stockpiling Program".]

## STEPS TO SPEED UP STOCKPILING PROGRAM

An attempt is being made to pursue a more vigorous policy in the US stockpiling program which has been disappointing to date. Included in the steps which have been taken recently or are planned to speed up the acquisition of strategic materials for stockpiling are: 1) establishment under the Executive Committee on Economic Foreign Policy (ECEFP) of a small Working Group on Problems of Availabilities and Procurement of Strategic Materials; 2) consideration of implementation of Recovery Program legislation which provides for transfer of commodities needed by the US;<sup>3</sup> and 3) consideration by the National Security Resources Board of resolutions which would encourage Munitions Board purchases of many commodities even though they are in short supply for civilian use.

*Stockpiling Act-National Security Act.* The National Security Act of 1947 which created the National Security Resources Board (NSRB), the National Military Establishment as well as the National Security Council and the Central Intelligence Agency, provides that the NSRB is responsible, among other things, for advising the President on policies for establishing adequate reserves of strategic and critical materials, and for the conservation of these reserves.

The most recent stockpiling act, the Act of 1946 (PL 520 79th Congress) amends and broadens the Act of June 7, 1939, retaining the main provisions of that legislation which was the first for the specific purpose of establishing stockpiles of strategic materials. The Act of 1946, as altered by the subsequent National Security Act, provides, *inter alia*, for: 1) determination by the Secretaries of National Defense and Interior of those materials which are strategic and critical and the quantities and qualities to be stockpiled. The Departments of State,

<sup>1</sup> Lot 54D361, containing the publication *Current Economic Developments* for the years 1945-1952.

<sup>2</sup> This weekly publication, prepared by the Policy Information Committee of the Department of State, was designed to highlight developments in the economic divisions of the Department, and to indicate the economic problems which were currently receiving attention in the Department. It was circulated within the Department and to Missions abroad.

<sup>3</sup> Regarding this subject, see the following documents in *Foreign Relations*, 1947, vol. I: Recommendation by the National Security Resources Board to President Truman, December 4, 1947, p. 777, and circular airgram 1620, December 22, 1947, p. 778.

Treasury, Commerce and Agriculture are directed to cooperate with the Munitions Board in making these determinations; 2) purchases of materials by the Bureau of Federal Supply, acting under the direction of the Secretary of Defense; 3) storage and rotation of stocks of strategic materials; and 4) release of stocks, except for rotational purposes or for reason of obsolescence, to be made only by order of the President (or a designated agency in time of emergency) for purposes of common defense. This, in effect, establishes a permanent stockpile which cannot be used for purposes other than that of national defense.

*ECEFP Working Group.* The recently established ECEFP Working Group on Strategic Materials consists of representatives from the Department of State, the Munitions Board and the National Security Resources Board. The Economic Cooperation Administration may be invited to membership. Other agencies are included in the deliberations when their fields of interest are involved. The terms of reference of the group are: 1) to consider problems of availabilities and procurement of strategic materials from foreign countries; 2) to facilitate the collection of and to evaluate information regarding availabilities of strategic materials in foreign countries; 3) to facilitate the preparation of programs for acquiring such materials in other countries; and 4) to make recommendations with respect to the fulfillment of various aspects of this assignment to the ECEFP, the NSRB or the Munitions Board as may be appropriate.

*Problems Connected With Recovery Program.* Thus far most of the problems considered by the Working Group on Strategic Materials have been in connection with the European Recovery Program. Legislation authorizing the Program provides for facilitating the transfer of commodities needed by the US because of deficiencies or potential deficiencies in its own resources for stockpiling or other purposes. The legislative history shows that these other purposes are primarily the transfer of iron and steel scrap which would not be stockpiled and other materials of strategic character which would be put into immediate use and not stockpiled. The ECEFP Working Group is now considering the inclusion of proper safeguards in the bilateral agreements to be negotiated with the participating countries and has appointed working parties to make investigations of the possibility of increasing production in territories of countries participating in the Program. These parties will then proceed to consider problems outside the Recovery Program area. The bilateral agreements will contain only general commitments for the governments to facilitate the transfer of strategic materials to the US, to stimulate increased production, and to use their good offices to secure cooperation of enterprises subject to their jurisdiction. Goals and specific measures for achievement of special programs will be the subject of supplementary agreements.

The ECEFP Working Group recognizes that the political relations between the mother country and dependent areas will be important factors in the fulfillment of US goals. It is not yet clear to what degree the mother countries will be able to undertake to guarantee delivery of materials from areas which are classified as dependent. As yet there has been little or no comment on how the local populations have reacted to the proposals for expanded production and transfer of stocks to the US. It is anticipated that business enterprises in the colonial areas may resent shipments of materials to Europe which are to be paid for by shipments of raw materials from the dependent areas.

*National Security Resources Board Resolutions.* Heretofore the Munitions Board in purchasing materials for stockpiling has restricted itself to materials which the Department of Commerce has not found to be in short supply for civilian use. Proposals under consideration in the NSRB would provide that the Munitions Board should proceed to build up stockpiles after consulting with the Department of Commerce with respect to supplies that are necessary to meet only essential civilian needs. An alternative proposal would apply this formula only to stocks held by RFC. In line with this trend the Department of Commerce has removed all commodities from its Civilian Deficiency List (which has governed Munitions Board stockpile policy) except three—antimony, tin and quinidine.

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S/S-Files: Lot 63D351: NSC 30 Series

*Memorandum Prepared in the Department of State*

TOP SECRET  
NSC 30

[WASHINGTON, undated.]

POLICY ON ATOMIC WARFARE

The question raised by Secretary Royall,<sup>1</sup> in Tab B, has never officially come before the Department. Recently questions involving use of atomic energy in a possible war with Russia, and particularly the problem of targets, has been discussed informally with air force planners by Messrs. Kennan, Bohlen and Thompson.<sup>2</sup>

Mr. Gullion has prepared a memorandum on this subject which contains his own personal views (Tab A).

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<sup>1</sup> Kenneth C. Royall, Secretary of the Army.

<sup>2</sup> Llewellyn E. Thompson, Jr., Deputy Director of the Office of European Affairs.

[Annex A]

*Memorandum Prepared in the Department of State*

TOP SECRET

[WASHINGTON, undated.]

## POLICY ON ATOMIC WARFARE

Secretary Royall has circulated the following paper in which he proposes that a study be undertaken to define the position of the United States with respect to the initiation of atomic warfare in event of war. (Tab B)

Mr. Gullion has commented as follows:

"So far as I know little thought has been given to this problem in this Department. In the secret war-time agreements with the U.K., the United States was bound to consult with the U.K. on the use of an atomic weapon.<sup>3</sup> In the *Modus Vivendi* of January 7, 1948,<sup>4</sup> this and all other political provisions of the war-time accords were eliminated so that we have a free hand. On the other hand, it is difficult to conceive of a situation in which we might use the bomb in which we were not in close contact with the British.

"It is also possible that if, as, and when the United States participates in strategic planning with the Western European countries, there may be some dispositions as to the use of the bomb, disposition of stocks, raw material, etc.

"With respect to Secretary Royall's Para. 2, we know of no opinion in the Government which would warrant the Defense Establishment in ceasing to plan on the use of the bomb. There may be sound reason for deferring its use or using it initially as an anti-materiel measure.

"With respect to the locus of authority for the decision to employ, it is difficult to see where it could be other than with the President, [National] Security Council and Joint Chiefs. Studies can surely be undertaken to see that ways are cleared for prompt decisions.

"Possibly the most important controlling factor would be the stock-pile situation of this country and its allies, and the types and relative effectiveness of the various atomic weapons at our disposal. In consideration of these matters the Atomic Energy Commission, which is not directly represented on the Council, would have as much a contribution to make as any Department."

<sup>3</sup> Reference is to the Quebec Agreement, which is described in footnote 7, p. 677.

<sup>4</sup> For text, see p. 683.

*Recommendations:*

1. That the participation of the Atomic Energy Commission in any further consideration be sought.
2. That Secretary Royall's recommendation be approved.

[Annex B]

*Memorandum by the Secretary of the Army (Royall) to the National Security Council*

TOP SECRET

[WASHINGTON,] 19 May 1948.

Subject: United States Policy on Atomic Warfare

1. I feel that the United States position with respect to employment of atomic weapons, and our Governmental organization for expeditious application of atomic warfare, require early and careful review in the interest of national security.

2. It appears necessary, in order to insure a clear understanding on the part of all agencies responsible for various aspects of United States security, that a high level decision be taken as to the intention of the United States to employ atomic weapons in event of war. While the Department of the Army has been conducting its war planning on the basis that atomic weapons would be used, I believe there is some doubt that such employment is a firm United States Government policy. I understand that in some quarters the desirability of the United States initiating atomic warfare has been questioned particularly on the grounds of morality. I recognize that many considerations other than purely military must be taken into account in arriving at a decision in this regard.

3. In addition to the basic question of engaging in or initiating atomic warfare there arises a question of what agent or agency of the Government shall be empowered to authorize actual employment. Employment might be undertaken by the Joint Chiefs of Staff on their own initiative, or the decision to authorize employment might be reserved to the President or to some other agent of the Government. It is important that this authority and responsibility be made perfectly clear in order that there will be no delay in acting in event the United States is subjected to sudden attack. Equally important is a consideration of the time and circumstances under which atomic weapons might be employed, and the type and character of targets against which they might be used.

4. To develop further United States capacity for actual engagement in atomic warfare, the National Military Establishment must organize its relatively limited resources in order to gain maximum benefits from

its most powerful single weapon. There are many factors involved in producing an organization capable of immediate engagement in atomic warfare. Some of these factors are:

- a. The command structure.
- b. Custody and control of atomic weapons (by Public Law 585<sup>5</sup> a responsibility of the Atomic Energy Commission until transferred to the Military Establishment by the President).
- c. Proper integration of atomic warfare plans into overall war plans.
- d. Existence, access to, and maintenance of bases (some of which are in foreign nations) for launching atomic attacks.
- e. Proper allocation of industrial, manpower, and raw material resources for the production of atomic weapons.
- f. Maintenance of sufficient, appropriate special units and equipment within the Armed Forces.

5. In order to insure that the United States is in the best possible position to make maximum use of its atomic advantages in the interest of national security, it may be necessary to reorganize certain Government agencies and to revise certain existing laws or to enact new ones.

6. In order that the National Security Council may be in a position to give careful consideration to this matter and to make appropriate recommendations to the President, I recommend that the Council, utilizing such agencies as it deems advisable, including the Joint Chiefs of Staff, consider the following problem:

"The position of the United States with respect to the initiation of atomic warfare in event of war, including a consideration of the time and circumstances of employment, and the type and character of targets against which it would be employed; and further, the proper organization within the National Military Establishment and within such other executive agencies of the Government as may be involved, to insure optimum exploitation by the United States of its capabilities of waging atomic warfare."

KENNETH C. ROYALL

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<sup>5</sup> The Atomic Energy Act of 1946, 60 Stat. 755.

811.2221/6-148

*The Secretary of the Army (Royall) to the Secretary of State*

WASHINGTON, 1 June 1948.

DEAR MR. SECRETARY: I am informed that Mr. Bohlen of your Department has requested a statement of the Department of Army position relative to the Lodge bill to authorize enlistment of aliens in the

Regular Army (S. 2016, 80th Congress) <sup>1</sup> under certain limitations. The Department of the Army in January 1948 informed Senator Gurney <sup>2</sup> of willingness to support the bill, and recommended that it be amended to delete the words "for service outside the continental limits of the United States, its Territories and possessions." Conferences with representatives of the Department of State in February 1948 revealed that your Department would not support the Lodge bill primarily because of the possible adverse propaganda effect.<sup>3</sup> Out of deference to your Department's viewpoint and in the interest of maintaining a united front, the Department of the Army in February notified Senator Lodge and Senator Gurney that support must be withdrawn from the bill. This action did not change the basic concept of the Department of the Army that enlistment of qualified displaced aliens abroad would be desirable.

On 19 March 1948 a memorandum relative to this entire subject <sup>4</sup> was sent to the Secretary of Defense recommending support of the bill if amended as proposed. This recommendation was approved and discussion was reopened with your Department. Conferences were held on 30 March 1948 and 16 April 1948 between representatives of the Department of the Army and Mr. Bohlen of your Department. At these conferences an attempt was made to reconcile the difference in viewpoint concerning the desirability of passage of the Lodge bill. To this end an effort was made to draft a new bill or amend an existing bill in order to accomplish the purposes of the Lodge bill, but at the same time not incorporate features objectionable to your Department. No such solution was found. At the present time the Department of the

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<sup>1</sup> The bill under reference was introduced by Senator Henry Cabot Lodge, Jr., of Massachusetts on January 19, 1948, and referred to the Senate Committee on Armed Services. It read in pertinent part as follows: "Be it enacted . . . That the Secretary of the Army, under such regulations as he may prescribe, is authorized until June 30, 1950, to accept original enlistments in the Regular Army from among qualified aliens not less than eighteen years of age nor more than thirty-five years of age for an enlistment period of not less than five years for service outside of the continental United States, its Territories, and possessions."

<sup>2</sup> Senator Chan Gurney of South Dakota, Chairman of the Armed Services Committee.

<sup>3</sup> In a memorandum to the Secretary of State dated February 23, Charles E. Bohlen, Counselor of the Department, stated the following: "This measure marks a very definite departure from our previous policy in regard to recruitment for the U.S. Army and from the point of view of foreign policy is extremely undesirable. It in effect announces to the world that the U.S. cannot obtain the necessary manpower from among its own citizens for its own Service and has to recruit foreign mercenaries abroad. It is obvious what use Soviet propaganda will make of such a development . . . If the Department of the Army could be persuaded to amend this Bill so as to make it an immigration rather than a recruitment measure on the principle of giving preferential or non-quota status under the immigration law to aliens who had declared their intention of enlisting in the U.S. Army upon arrival here, the chief disadvantages from the point of view of foreign policy to this measure would be mitigated." (S11.2221/2-2348)

<sup>4</sup> Not printed.



Army is prepared to support enactment of the Lodge bill as a means to obtain additional manpower on a voluntary basis. A manpower pool from which it is believed approximately 50,000 qualified nonenemy aliens could be recruited exists in the United States Occupied Zones of Europe. Included in this estimate are 12,000 of the 14,500 men currently employed by occupation authorities in quasi military guard and labor roles. Individuals included in this estimate are between 18 and 35 years of age; meet present physical, intelligence, and educational standards; and possess good character.

I would appreciate obtaining your present reaction to the Lodge bill and will be glad to furnish any desired additional data on this subject now in the possession of the Department of the Army.<sup>5</sup>

Sincerely yours,

KENNETH C. ROYALL

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<sup>5</sup> On June 8, the Senate approved an amendment (introduced by Senator Lodge) to the Selective Service Act by which the Secretary of the Army was authorized to enlist 25,000 aliens for five years' service, after which they would be eligible for citizenship. On June 14, Marshall informed Secretary Royall that in his opinion there was no further action which the Department of State should take on the matter. (811.2221/6-148)

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SANACC Files<sup>1</sup>

*Memorandum Approved by the State-Army-Navy-Air Force  
Coordinating Committee*

[Extract]

SECRET

[WASHINGTON,] 15 June 1948.

SANACC 206/29 (Revised)

POLICY FOR THE CONTROL OF THE DISCLOSURE OF CLASSIFIED MILITARY  
INFORMATION TO FOREIGN GOVERNMENTS<sup>2</sup>

II. GENERAL PRINCIPLES

Classified military information shall not be disclosed to foreign governments unless all of the following conditions are met:

(a) Disclosure is consistent with the policy of the United States Government with regard to atomic energy and similar or related information for which special machinery for release has been or may

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<sup>1</sup> Lot 52M45, the files of the State-Army-Navy-Air Force Coordinating Committee (SANACC) and its predecessor, the State-War-Navy Coordinating Committee (SWNCC), located in the National Archives under the administration of the Department of State. SWNCC was reconstituted as SANACC pursuant to the National Security Act of 1947. Regarding the terms of reference of SANACC, see NSC 25, August 12, p. 605.

<sup>2</sup> This subject was dealt with on a continuing basis by SANACC's Subcommittee for Military Information Control (MIC); documentation generated by that subcommittee exists in the SANACC files.

hereafter be established. This condition is satisfied by subparagraph III (a) below.<sup>3</sup>

(b) Disclosure is consistent with the foreign policy of the United States toward the recipient nation. The final decision in this respect rests with the Secretary of State. This condition is met by the alignments of nations set forth in paragraph IV below.<sup>4</sup>

(c) The military security of the United States permits disclosure. The final decision in this respect rests with the Secretaries of the Army, the Navy, and the Air Force. This condition is met by the category and classification of military information permitted to be released to each nation, as set forth in paragraph IV below.

(d) Disclosure is limited to the information necessary to accomplish the purpose for which disclosure is made.

(e) Disclosure will result in benefits to the United States equivalent to the value of the information disclosed. Typical benefits may be one of the following:

(1) The United States obtains information from the recipient nation on a *quid pro quo* basis.

(2) Exchange of military information or participation in a joint project will be advantageous to the U.S. from a technical or other military viewpoint.

(3) The U.S. military policy for the defense of the Western Hemisphere will be furthered.

(4) The development or maintenance of a high level of military strength and effectiveness on the part of the government receiving the information will be advantageous to the United States.

The final decision as to the value of military information and the relative military benefits to be derived from its disclosure rests with the Secretary of the Army, the Secretary of the Navy, or the Secretary of the Air Force, in matters of interest to his Department alone; or with the Secretaries of the Army, the Navy, and/or the Air Force acting jointly.

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<sup>3</sup> Subparagraph a of Paragraph III ("Non-releasable Information") stated that requests for information pertaining to atomic energy would be forwarded to the United States Atomic Energy Commission for appropriate action. For documentation on United States policy regarding the disclosure of information on atomic energy, see pp. 677 ff.

<sup>4</sup> Paragraph IV, "Releasable Information."

SANACC Files

*Report by the Ad Hoc Committee to the State-Army-Navy-Air Force  
Coordinating Committee*

TOP SECRET

[WASHINGTON,] June 18, 1948.

SANACC 382/6

POLICY CONCERNING TRANSFERS TO NON-SOVIET COUNTRIES OF MILITARY  
SUPPLIES OF U.S. ORIGIN <sup>1</sup>

## THE PROBLEM

1. To determine what principles should govern the transfer to foreign countries of military supplies of United States origin.

## DISCUSSION AND FACTS BEARING ON THE PROBLEM

2. The Committee's instructions were in two parts—to examine into the factors affecting the armament situation of the non-Soviet nations (SANA-5827,<sup>2</sup> para. 1a), and to formulate a policy governing all transfers to foreign countries of military supplies of U.S. origin (SANA-5827, para. 1b).

3. With respect to the first part of the instructions, it was the Committee's view that these factors had already been sufficiently investigated for its purposes. Reference is made particularly to the SANACC 360 series,<sup>3</sup> which concerns policies, procedures, and costs of assistance by the United States to foreign countries.

4. A related paper, NSC 14/1,<sup>4</sup> was approved by the President on

<sup>1</sup> This report was prepared by an *ad hoc* committee appointed by the State-Army-Navy-Air Force Coordinating Committee on November 4, 1947, pursuant to a request by the War Department on August 5, 1947, that such a study be undertaken by a special committee. SANACC devoted considerable effort between the above dates to defining the terms of reference of the new *ad hoc* committee in view of the studies of a related nature previously undertaken by the Rearmament Subcommittee of SANACC (see SANACC 360/5, July 26, 1948, p. 597), and by the *ad hoc* Committee which was preparing the foreign assistance policy study SWNOC 360/3, October 3, 1947, not printed. For information regarding the preparation and implementation of papers in the SWNOC 360 series during 1947, see *Foreign Relations*, 1947, vol. I, pp. 725-750, *passim*, and *ibid.*, vol. III, pp. 197-249, *passim*.

The new *ad hoc* Committee submitted its report, SANACC 382/5, on May 5, 1948. The present paper is a revision by the *ad hoc* Committee of that report, submitted to SANACC on June 18, 1948. The parent committee approved the revision on July 23, 1948, and transmitted it to the National Security Council. SANACC adopted on October 7 an amendment proposed by the Navy Member on September 8, to include reference to NSC 14/1, July 1 (p. 585). The text printed here reflects that amendment. (SANACC Files)

<sup>2</sup> Not printed.

<sup>3</sup> See footnote 1, above.

<sup>4</sup> Of July 1, p. 585.

10 July 1948. The SWNCC 202 series<sup>5</sup> deals with policy relative to the transfer to foreign countries of military supplies of United States origin, and SANACC 390 and related papers<sup>6</sup> with the provision of United States equipment to the Italian armed forces. The question of the relative importance of programs of United States military assistance to foreign nations has been referred to the Rearmament Subcommittee (SANA-5975).<sup>7</sup>

5. Accordingly, the Committee excluded from its consideration these questions which are already resolved or are being considered elsewhere, and addressed itself to the general principles which the United States Government should apply in deciding whether to transfer military supplies of United States origin to a foreign country, in the absence of a controlling policy already established for that country. Conclusions reached by the Committee are therefore not directed to transfers made in pursuance of an established policy or program of military assistance.

#### CONCLUSIONS

6. Pending the achievement of conditions of international confidence which would make possible the putting into effect of a system for the regulation and reduction of armaments, it should be the policy of the United States to authorize transfers to foreign countries, by sale or otherwise, of military supplies of United States origin, whether such supplies are of government or private ownership, if the transfers are determined to be in the interest of the United States and not inconsistent with the security interest of the United States.

7. In addition to the primary requirement of being in the interest of the United States, such transfers should also be determined to be reasonable or necessary for one or more of the following purposes:

a. To enable a country to maintain internal order in the reasonable and legitimate exercise of constituted authority, or

b. To enable a country to provide for and to exercise its right of self-defense against armed attack, or

c. To assist a country to discharge its international responsibilities for:

(1) Furnishing contingents to the Security Council pursuant to Article 43 of the Charter of the United Nations, and

(2) Carrying out military occupation in enemy or ex-enemy territory.

<sup>5</sup> For SWNCC 202/2, March 21, 1946, see *Foreign Relations*, 1946, vol. I, p. 1145; SWNCC 202/4, Department of State views with respect to military assistance, was based upon document SC-208, December 20, 1946. For the text of the latter, see *ibid.*, p. 1189. Subsequent papers in the series were cancelled, withdrawn, or superseded by other studies and are not printed.

<sup>6</sup> For the text of SANACC 390/1, January 16, 1948, see vol. III, p. 757.

<sup>7</sup> Not printed.

8. In determining whether a particular transfer of military supplies to a foreign country will be in the interest of the United States, the following factors should be considered, together with any others that may be appropriate at the time:

a. The purpose for which the supplies are intended. This will especially involve a consideration of paragraph 7:

b. Whether the country concerned will use the supplies for the purpose intended.

c. Whether the transfer would be consistent with the security interest of the United States. At present the chief security interest of the United States lies in supporting resistance to immediate or potential communist aggression.

d. The effect of the transfer upon the United Nations and upon relations between the United Nations, the United States, and other countries.

e. The stability and political nature of the country concerned.

f. The geographical and strategic location of the country concerned.

g. The availability of the supplies and the effect on the United States economy of providing them.

h. Whether it would be more advantageous for the United States to retain the supplies for its own use or to provide them for use by the country concerned.

i. Whether it would be more advantageous for the United States to transfer new military supplies or maintenance equipment for military supplies already provided.

9.—

a. The term "military supplies" is used herein to mean military or naval items of all kinds and types, including those which may be defined from time to time by or pursuant to Presidential Proclamation as arms, ammunition and implements of war.

b. The United States should continue to reserve the right to recapture all military supplies of U.S. lend-lease origin now held by foreign governments subject to this right, except such articles as may from time to time be sold outright to third governments or to other parties by or with the consent of the United States. The granting of consent by the United States to transfers by sale or otherwise by a presently-holding government to a third government shall be subject to the provisions of paragraphs 6, 7 and 8 above.

#### RECOMMENDATIONS

10. It is recommended that SANACC approve the above conclusions and transmit them to the National Security Council for information and to the Departments of State, Army, Navy and Air Force for information and appropriate action in connection with NSC 14/1.

Department of State Committee Files : Lot 122<sup>1</sup>

*Report by the Strategic Materials Working Group to the Executive Committee on Economic Foreign Policy*<sup>2</sup>

CONFIDENTIAL

[WASHINGTON,] June 21, 1948.

ECEFP D-70/48 Rev. 1

ACQUISITION OF STRATEGIC MATERIALS UNDER ECA

REPORT OF THE STRATEGIC MATERIALS WORKING GROUP  
WITH RESPECT TO STRATEGIC MATERIALS URGENTLY NEEDED FOR  
STOCKPILING AND AVAILABLE IN PARTICIPATING COUNTRIES

PROBLEM

The Working Group has considered problems of availability and procurement of those items listed for stockpiling which require special and urgent action because of failure to meet targets and which are known to occur in some quantity in participating countries. Inter-agency task groups were established covering agreed upon commodities (fourteen in number) and recommendations are submitted based upon data accumulated which is believed to cover all information available at this time. The recommendations offered are in the main directed towards action which may be taken by the Administrator of ECA under Article XI of the Master Economic Cooperation Agreement. Coordinate or supplementary action may be required by other agencies. Additional work is being carried on with regard to other commodities and other areas of the world.<sup>3</sup> A detailed report covering the fourteen commodities is attached.<sup>4</sup>

<sup>1</sup> Lot 122, a consolidated lot file consisting of records of inactive or terminated committees of the Department of State and inter-departmental committees on which the Department of State was represented. Material in this lot, which includes a set of the papers of the Executive Committee on Economic Foreign Policy, was retired by the staff of the Executive Secretariat of the Department of State.

<sup>2</sup> The present report was approved on June 21, 1948, as follows: Recommendations A(1), B(2), and B(3) by ECEFP; A(4) by the Munitions Board; and A(2), A(3), A(4), B(1), and B(4) by the National Security Resources Board Staff and the Munitions Board. It was transmitted to the heads of United States Government agencies concerned and to the chiefs of all U.S. missions abroad.

<sup>3</sup> On August 3, 1948, the Working Group on Strategic Materials submitted ECEFP D-96/48, "Report with Respect to Additional Strategic Materials Needed for Stockpiling and Potentially Available in ECA Participating Countries," which was submitted to the National Security Resources Board and the Munitions Board for action. On October 20, 1948, the Working Group approved ECEFP D-143/48, "Additional Recommendations with Respect to Twenty-two Items Needed for Stockpiling," pertaining to the availability of items in non-ECA participating countries. Recommendations involving action by the Munitions Board were made directly to the Board. Neither report is printed. (Department of State Committee Files : Lot 122)

<sup>4</sup> The two attachments are not printed.

## RECOMMENDATIONS

*A. General*

1. Immediate attention should be given to the obtaining of more adequate information. In this connection, technical personnel, including engineers and minerals specialists, should be located at given points in the field to report on all projects, recommend appropriate action, and expedite programs. It is recommended that the Secretary of State request the interested departments and agencies including the Administrator of ECA to cooperate in discussions looking toward the employment of such a staff at the earliest possible moment and the avoidance of unnecessary duplication.

2. In general, increased production of strategic commodities is necessary to permit more rapid acquisition by the stockpiling authorities. Pursuant to Section 117 (a) of the Economic Cooperation Act<sup>5</sup> the Administrator of ECA should give attention to arrangements for such increases in the following cases: chromite, copper, manganese, quinine, tin, columbite, nickel, lead, cobalt, and crushing bort. More specific comments with reference to each will be found in the attached report. It is recommended that NSRB and the Munitions Board each call the attention of the Administrator of the ECA and other departments and agencies of the Government having power to act in connection with developmental programs in foreign countries to the opportunities for increasing supplies of strategic materials as they become known and request that they use their authority to promote such programs. The Administrator of the ECA and other agencies should be prepared to give assistance to participating countries in providing equipment, supplies, and technical services in connection with specific projects. It may be necessary to use priorities, to advance credit, and to shift specific equipment orders from one supplier to another.

3. Immediate attention should be given to improving transportation, including port facilities, in a number of areas. Such action will produce the quickest results in terms of an immediate increase in the flow of materials. The Working Group recommends that the NSRB and Munitions Board call the Administrator's attention to transportation difficulties in Rhodesia, the Belgian Congo, Mozambique, the Gold Coast and French Morocco. Qualified personnel on the spot are necessary to determine the exact action needed.

4. The Working Group suggests that the Munitions Board make use of long-term contracts for strategic materials to the extent prac-

<sup>5</sup>Section 117(a) stated that the Administrator of ECA "shall, whenever practicable, promote, by means of funds made available for the purposes of this title, an increase in the production in such participating country of materials which are required by the United States as a result of deficiencies or potential deficiencies in resources within the United States." (62 Stat (pt. 1) 153)

licable in order to encourage new development. Coordination of such contracts with action by the Administrator of ECA is important.

B. *Specific*

The Working Group has concluded that immediate action is possible in the following cases:

1. *Chromite from Southern Rhodesia.*

At the beginning of 1948 it was reported that 400,000 tons of chromite were stockpiled at mine heads awaiting shipment. The port from which shipment takes place is located in Mozambique, a dependency of Portugal. Immediate discussions with the United Kingdom, Southern Rhodesia, and Portugal should be instituted with a view to improvement of rail and port facilities and increased shipment of chromite. The NSRB and Munitions Board should request the Administrator of ECA to undertake these discussions with the assistance of the State Department.

2. *Crushing Bort from the Belgian Congo.*

Approximately 95 percent of crushing bort comes from the Belgian Congo. Production of this material is under the control of the "diamond cartel". Representatives of the State Department have had discussions with representatives of the Belgian Government with respect to increased availabilities of bort for the U.S. strategic stockpile. The Working Group recommends that representatives of the Department consult with the Administrator of ECA for the purpose of continuing such discussions with a view to determining the potentialities of and the requirements for increased production and the transfer of increased supplies directly to the United States Government agencies for stockpiling purposes.

3. *Quinidine from the Netherlands East Indies.*

The Netherlands East Indies ordinarily produces 90 percent of the cinchona bark from which quinine and quinidine are produced. It appears that certain restrictive business practices are limiting the quantity of quinidine made available. It is recommended that representatives of the State Department and the Administrator of ECA, in consultation, begin discussions with representatives of the Netherlands Government to determine what action is necessary to obtain increased supplies of quinidine or of cinchona bark from which it is prepared.

4. *Manganese from Gold Coast.*

The Gold Coast is the largest producer of manganese in the world outside of the U.S.S.R. Production reached a peak of 721,000 tons in 1946; declined to about 540,000 tons in 1947, and is estimated at the yearly rate of 730,000 tons for the first months of 1948. It is estimated that production could be increased to 830,000 tons. It is recommended that the NSRB and Munitions Board should request the Administrator



of ECA and the State Department to undertake discussions with the producers and with the Governments of the United Kingdom and the Gold Coast to expand production and eliminate transportation bottlenecks with a view to increasing production to the extent possible.

[Here follow "Discussion;" Attachment 1, "Availability of Strategic Materials (on a Country Basis) under ERP;" and Attachment 2, "Availability of Strategic Materials (on a Commodity Basis) under ERP."]

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*Editorial Note*

On June 24, 1948, President Truman signed the Selective Service Act of 1948, "An Act to Provide for the Common Defense by Increasing the Strength of the Armed Forces of the United States, Including the Reserve Components Thereof," Public Law 759, 80th Congress, 2nd Session, 62 Stat (pt. 1) 604. This legislation, passed by Congress on June 19, provided for the induction of enough 19-25 year olds to maintain the strength of the armed forces at 2,005,882. The Universal Military Training program sought by the Administration was not included. Rather, up to 161,000 18 year olds were permitted to avoid draft liability by volunteering for service of one year with regular forces followed by a reserve obligation.

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761.00/6-3048: Telegram

*The Ambassador in the Soviet Union (Smith) to the Secretary of State*

SECRET

Moscow, June 30, 1948—6 p. m.

1214. Embassy still believes Soviet policy pattern Far East and South East Asia (London's 108, June 23, sent to Dept as 2778)<sup>1</sup> similar to that outlined Embtel 3310, December 2, 1947,<sup>1</sup> although failure Communists complete conquest Manchuria implies caution in setting up independent regime and suggests Soviet planning may be directed more toward China as whole than to Manchuria.

Soviets adapt their tactics to various parts Far East with circumspection and on basis hard realistic analysis of situation. Seems clear that events in Japan genuinely disturb them with result their propaganda on Japan now becomes louder and longer. However, Japan is long-range Soviet problem and more immediate results are expected elsewhere. Kremlin thinking might be conjectured as follows:

(1) North Korean Government, after anticipated withdrawal US forces from south, can enforce its claim of united government for all

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<sup>1</sup> Not printed.

Korea, preferred method to be usual infiltration and carrying off political coup when time ripe.

(2) China presents more complex problem. Chinese CP not yet in sufficiently favorable position form separate government. Furthermore, independent Communist Manchuria does not satisfy aim of eventual Red China, and might even hinder its achievement not to speak of creating awkward treaty situation with Central Government. While hope remains of utilizing sympathetic anti-Chiang<sup>2</sup> politicians (such as Li Chi Shen and the like) to form coalition government which CP could eventually capture, postponement of inauguration separatist regime and cautious handling Central Government appears desirable. Meanwhile, driving wedge between US and China on Japan and aid policy can serve to orient Chinese Soviet-wards.

(3) Obvious that maximum Communist activity to be directed all SEA countries. Problematical how soon decisive CP victories can be achieved in these areas but they would be ripe for picking when China fell to Soviets and Chinese Party leaders already in vanguard would be ready play leading roles.

(4) India tempts energetic and strenuous efforts although party needs strengthening and program must perforce be more long range than immediate.

Embassy believes China is key to whole policy and that Soviets expect success as much by political as by military means. Kremlin is undoubtedly aware of risk that headstrong cocky Chinese party might be troublesome but we believe that such risk not sufficient deter Soviets from aim for Communist dominated China assuming leadership of backward peoples Orient. Such regime would expectedly represent in actuality a merger of old Japanese co-prosperity sphere with militant Stalinism and to Communist eyes must offer a consummation devoutly to be wished.

Sent Department, repeated London 74.

SMITH

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<sup>2</sup> Chiang Kai-shek, President of the Republic of China.

S/S-NSC Files : Lot 63D351 : NSC 14 Series

*Report to the President by the National Security Council*TOP SECRET  
NSC 14/1

WASHINGTON, July 1, 1948.

## NOTE BY THE EXECUTIVE SECRETARY ON THE POSITION OF THE UNITED STATES WITH RESPECT TO PROVIDING MILITARY ASSISTANCE TO NATIONS OF THE NON-SOVIET WORLD

Reference: NSC 14<sup>1</sup>

At its 14th Meeting,<sup>2</sup> the National Security Council considered a draft report on the above subject (NSC 14) and adopted it in the revised form enclosed herewith.

The National Security Council recommends that the President approve the Conclusions contained herein and direct that they be implemented by all appropriate Executive Departments and Agencies of the US Government under the coordination of the Secretary of State.<sup>3</sup>

SIDNEY W. SOUERS  
*Executive Secretary*

[Enclosure]

## REPORT BY THE NATIONAL SECURITY COUNCIL ON THE POSITION OF THE UNITED STATES WITH RESPECT TO PROVIDING MILITARY ASSISTANCE TO NATIONS OF THE NON-SOVIET WORLD

## THE PROBLEM

1. To assess and appraise the position of the United States with respect to providing military assistance in the form of supplies, equipment and technical advice to nations of the non-Soviet world.

## ANALYSIS

2. The success of certain free nations in resisting aggression by the forces of Soviet directed world communism is of critical importance to the security of the United States. Some of these nations require not only economic assistance but also strengthened military capabilities if they are to continue and make more effective their political resistance to communist subversion from within and Soviet pressure from without and if they are to develop ultimately an increased military capability to withstand external armed attack. Although they possess

<sup>1</sup> A Report by the Executive Secretary, June 14, 1948, not printed.<sup>2</sup> July 1, 1948.<sup>3</sup> The conclusions were approved by the President on July 10, 1948.

considerable military potential in manpower and resources, these nations are industrially incapable of producing intricate modern armaments and equipment in the necessary quantities. Consequently if they are to develop stronger military capabilities it is essential that their own efforts be effectively coordinated and be supplemented by assistance in the form of military supplies, equipment and technical advice from the United States.

3. Such military assistance from the United States would not only strengthen the moral and material resistance of the free nations, but would also support their political and military orientation toward the United States, augment our own military potential by improvement of our armaments industries, and through progress in standardization of equipment and training increase the effectiveness of military collaboration between the United States and its allies in the event of war.

4. US military assistance to foreign nations since Lend-Lease does not appear to have sprung from any well-coordinated program. The practice in general has been to provide surplus US equipment to nations urgently in need of strengthening or as a measure of US political interest. In some instances, spare parts, ammunition, and means of maintenance have been furnished at the time of the original transfer, but no system for a continuing supply of ammunition and maintenance items has been evolved.

5. There is at present an extensive but not a comprehensive legislative basis for the provision of military assistance. The following legislative authorizations for transferring US military equipment to foreign nations are in effect:

a. The Surplus Property Act <sup>4</sup> (which is not designed for support of military assistance programs), and

b. Certain special legislation applying to the following:

- (1) Philippine Republic
- (2) China
- (3) Latin American Republics (legislative basis not adequate for implementing a program)<sup>5</sup>
- (4) Greece and Turkey

The latter legislation provides in each case for assistance only to a specific nation or group of nations; it does not authorize the President to exercise broad discretionary powers as to which nations should be assisted, how, when and to what extent.

6. Effective implementation of a policy of strengthening the military capabilities of free nations would be facilitated by the early

<sup>4</sup> PL 457, 78th Congress, October 3, 1944; 58 Stat. (pt. 1) 765.

<sup>5</sup> For documentation on United States policy with respect to military assistance to Latin America, see vol. ix, pp. 207 ff.

enactment of legislation broadening the authority of the President to provide military assistance under appropriate conditions. Title VI (not enacted) of the Foreign Assistance Act of 1948 was designed to provide this authority.<sup>6</sup> The proposed Title VI would have authorized the President to furnish assistance to foreign governments, provided such assistance was determined to be consistent with the national interest, and was without cost to the United States except where appropriations are made by Congress. On the basis of legislation along these lines, it would be possible to work out, in the United States and in the course of possible military staff conversations with selected non-communist nations, a coordinated military assistance program in which the quotas of each recipient would be related to overall needs, production capabilities, political considerations and strategic concepts. Pending the complete formulation of such an overall program, funds might be immediately appropriated to meet the urgent requirements of selected non-communist nations.

7. The State-Army-Navy-Air Force Coordinating Committee has devoted considerable study to the problem of military assistance to foreign nations and related questions (SANACC 360 series, 382-series). The conclusions of the present *Report* are based in part upon these SANACC papers and are in substantial accord with the general trend of thought embodied therein.

#### CONCLUSIONS

8. Certain free nations the security of which is of critical importance to the United States require strengthened military capabilities, if they are to present effective political resistance to communist aggression now, and military resistance later if necessary.

9. Therefore, the United States should assist in strengthening the military capabilities of these nations to resist communist expansion provided they make determined efforts to resist communist expansion and such assistance contributes effectively to that end. For this purpose the United States should provide them with assistance in the form of military supplies, equipment, and technical advice under a coordinated program in conformity with the principles set forth in paragraph 12 below.

10. The United States should at the earliest feasible time:

a. Enact legislation which will broaden the authority of the President to provide military assistance for foreign states under appropriate conditions. Title VI (not enacted) of the Foreign Assistance Act of 1948 would be a suitable basis for such legislation.

b. Under this authority, appropriate funds for military assistance

<sup>6</sup> Regarding the proposed legislation, see footnote 3, p. 597.

to selected non-communist nations to meet urgent requirements consistent with an over-all program.

11. Any US military assistance program should be predicated to the maximum practicable extent upon the self-help and mutual assistance of recipient states.

12. The military assistance program should be governed by the following considerations:

*a.* The program should not jeopardize the fulfillment of the minimum materiel requirements of the United States armed forces, as determined by the Joint Chiefs of Staff.

*b.* The program should not be inconsistent with strategic concepts approved by the Joint Chiefs of Staff.

*c.* Certain factors, such as the need for strengthening the morale and internal security of recipient nations and protecting various US interests abroad, may in exceptional cases become over-riding political considerations modifying the strict application of paragraphs *a* and *b* above.

*d.* Continuing support for the program should be planned to include supply of needed replacements, spare parts and ammunition so long as our security interests dictate.

*e.* The program should be properly integrated with the ECA program, and should not be permitted to jeopardize the economic stability of the United States or other participating nations. The program should be subject to review and recommendation by the National Security Resources Board in order to insure a sound balancing of requirements under the military aid program with US domestic requirements.

*f.* The program should adequately safeguard US classified material.

13. In measures of military assistance additional to those already provided for in specific legislation or in existing governmental undertakings, first priority should be given to Western Europe.

14. Countries participating in military assistance programs should be encouraged so far as consistent with the progressive stabilization of their economies:

*a.* To cooperate in integrating their armaments industries with a view ultimately to maintaining and re-supplying their own equipment when economic conditions permit.

*b.* To standardize their weapons and materiel to the maximum practical extent and, so far as practicable in the future, to US accepted types.

*c.* To provide strategic raw materials to the United States in return for military assistance.

*d.* To compensate the supplying nation for the military assistance which they receive whenever and to what extent feasible.

15. The military assistance program, in conjunction with the materiel needs of the US armed forces, will require the partial rehabilitation of the US armaments industry.

S/S-NSC Files : Lot 63D351 : NSC 20 Series

*Report to the National Security Council by the Secretary of Defense  
(Forrestal)*TOP SECRET  
NSC 20

WASHINGTON, July 12, 1948.

NOTE BY THE EXECUTIVE SECRETARY TO THE NATIONAL SECURITY COUNCIL  
ON APPRAISAL OF THE DEGREE AND CHARACTER OF MILITARY PREPAREDNESS REQUIRED BY THE WORLD SITUATION

The enclosed memorandum on the above subject from the Secretary of Defense, together with its attached letter to the President, is circulated herewith for the information of the National Security Council and for preliminary consideration at its next meeting of the suggestion by the Secretary of Defense that the Department of State draft an initial comprehensive statement of the character outlined in the enclosure.

SIDNEY W. SOUERS  
*Executive Secretary*

[Annex]

*Memorandum by the Secretary of Defense (Forrestal) to the National  
Security Council*

WASHINGTON, July 10, 1948.

Subject: Appraisal of the Degree and Character of Military Preparedness Required by the World Situation

The preparation of budget estimates for Fiscal Year 1950 is one of the most important tasks before the National Military Establishment during the next ninety days. The size and character of these estimates will largely determine the nature of our military strength until July 1, 1950. Moreover, because of the time factor involved in any military build-up, such estimates will also materially affect our capabilities in the years immediately thereafter.

Decisions concerning the optimum military budget under all the circumstances must be responsive to many factors which are not entirely within the purview of the National Military Establishment and with respect to which the Military Establishment requires firm guidance. Since the entire reason for the maintenance of military forces in this country is the safeguarding of our national security, their size, character, and composition should turn upon a careful analysis of existing and potential dangers to our security and upon decisions as to the methods by which such dangers can best be met within the

limitations of our resources. Sound military planning presupposes determinations by the appropriate Governmental authorities as to the ways in which, and the times at which, the security of the United States may be endangered. Moreover, since these various dangers may be of both a military and a non-military character, decisions must then be reached as to the respective roles which military strength and other activities directed toward our national security—foreign aid, for example—should each play in an over-all security program designed to forestall these dangers. These decisions must clearly reflect our national objectives, and must take into account such collateral factors as the psychological effects of varying degrees of military strength, both upon potential forces and upon friends, and of existing or probable international commitments.

Having made these basic decisions as to our objectives and as to the role of military strength in achieving them, we can then proceed to consider the share of our national resources which must be allocated to support military activities and, within the limit of such resources, the kind of military establishment best adapted to furthering these objectives. If the dangers are great, immediate and of a military character, this fact should be clearly reflected in our military budget and our military strength adapted accordingly. If the risks are small, if they are distant rather than immediate, or if they are primarily of a non-military character, military estimates should be adjusted to accord with this situation. Not only the general size of the military budget, but also the particular purposes toward which it is directed, should be responsive to these conditions. They may materially affect decisions as to whether we should concentrate all funds available for military purposes on the strengthening of our own forces or should allocate a portion thereof for the equipping of the forces of our probable Allies. For example, if time permits, it might prove more economical, or strategically sounder, to devote a certain percentage of such funds to the armament of forces of the Western Union countries rather than to employ the same amounts to create additional divisions of our own. While a decision in this regard would naturally involve political as well as military considerations, such a decision cannot be made without the appraisal of risks and the determination of objectives to which I have referred. The same considerations will influence the relative emphasis which is to be placed in our military budget on the creation of regular divisions in being, as opposed to a longer range program for the strengthening of our civilian components; the amount to be set aside for the augmentation of our war reserve; the rate at which we stockpile materials; the importance of instituting negotiations for military bases overseas, and even the location of such bases; the desirability and urgency of joint military planning with other nations;



the direction to be followed in our research and development programs; and many other similar factors. Moreover, with the heavy and continuing impact of scientific progress on the art of warfare, it is important to reach some conclusions as to whether we should primarily shape our forces for the kind of war which might be fought tomorrow or for the possibly very different form of conflict which might occur if hostilities should break out some five or ten years hence.

I think it is desirable to bring the foregoing generalizations into the context of the immediate present. I assume that within the next decade, no country other than Russia, and no likely combination of countries which did not include Russia or expect her active support, would be likely to undertake a war directed against the United States. It does not follow, of course, that some country, or combination of countries, will not miscalculate the risks and, by taking some aggressive action or precipitating some local conflict, create a situation in which the United States might be required to use military force to protect its own security or to prevent a breakdown in world order. It therefore becomes important to appraise, as best we can, the likelihood of some of the following developments: An aggressive war by Russia; a conflict precipitated by some miscalculation on the part of Russia or one of her satellites; Communist expansion through power diplomacy, through the creation of internal dissension and civil strife, or through political terrorism and propaganda; the outbreak of a major war as a result of some eruption in one of the "tinder-box" areas of the world. Until these risks are appraised and their nature defined, and until a determination has been made as to the best methods of removing or meeting them, no logical decisions can be reached as to the proportion of our resources which should be devoted to military purposes, nor as to the character of forces which the military establishment should seek to foster and support, both here and in friendly countries.

In view of the foregoing considerations, I believe that it is imperative that a comprehensive statement of national policy be prepared, particularly as it relates to Soviet Russia, and that this statement specify and evaluate the risks, state our objectives, and outline the measures to be followed in achieving them. For the reasons I have given, such a statement is needed to guide the National Military Establishment in determining the level and character of armament which it should seek and, I believe, to assist the President in determining the proportion of our resources which should be dedicated to military purposes. I also believe that it is fundamental to decisions concerning the size of, and relative emphasis in, our national budget.

The preparation of such a statement is, in my opinion, clearly a function of the National Security Council since this work requires, to use the language of the National Security Act, "the integration of

domestic, foreign and military policies relating to the national security" so that advice and guidance may be given to the President and the several military services. Because many of the basic issues involved concern matters which are within the province of the Department of State, I suggest that the Department of State be asked to draft an initial statement of this character which could be used as a basis for discussion in the Council<sup>1</sup> and which could be altered or modified to reflect military considerations and other relevant facts which come within the cognizance of the National Security Resources Board. The National Military Establishment will supply the Department of State with any information of a military character and any military evaluations which may be required in the preparation of such a draft.

I view this project as one of overriding importance and urgency, and therefore believe it should be given the highest priority. I attach a copy of a letter which I have this day written to the President on this subject.

JAMES FORRESTAL

[Subannex]

*The Secretary of Defense (Forrestal) to the President*

WASHINGTON, July 10, 1948.

DEAR MR. PRESIDENT: I am convinced that the formulation of a sound military program and intelligent decisions concerning the size and character of our future Armed Forces depend upon a prior determination of our basic national objectives, and of the roles which military strength and other non-military activities should play in furthering these objectives. Similarly, I believe that the preparation of realistic budget estimates and final decisions concerning the size of the national budget, and its relative emphasis on different projects, should be founded on such an evaluation. Specific programs of the National

<sup>1</sup>In a memorandum of May 27, Kennan had informed Lovett that Secretary Forrestal had expressed the desire of the Service Departments to receive an analysis of the world political situation. On June 23, Kennan submitted to Lovett Policy Planning Staff Report PPS 33, "Factors Affecting the Nature of the U.S. Defense Arrangements in the Light of Soviet Policy." The Under Secretary concurred in Kennan's recommendation that the document be transmitted to Forrestal. Transmittal occurred on June 25. (Policy Planning Staff Files) PPS 33, later circulated as document NSC 20/2, August 25, is printed, p. 615.

In a memorandum of July 13, George H. Butler, Deputy Director of the Policy Planning Staff, reported to Marshall and Lovett that Kennan had completed the first draft of a second paper which was relevant to the requirements of the Secretary of Defense, "U.S. Objectives with Respect to Russia." (Policy Planning Staff Files) The report of that title, issued as PPS 38, August 18, was transmitted to the National Security Council and circulated as NSC 20/1 of the same date; for text of the summary of conclusions of NSC 20/1, see p. 609.

Military Establishment and other departments can only be justified as they are related to such fundamental considerations.

For the foregoing reasons, I am forwarding the attached memorandum to the National Security Council requesting the preparation of a statement which specifies and evaluates the risks of the future, states our objectives, and outlines the measures to be followed in achieving them. I believe such a statement is indispensable to the National Military Establishment in determining the level and character of forces which it should maintain. This statement would also, in my opinion, greatly assist you in the ultimate decision which you must make as to the proportion of our resources which must be dedicated to military purposes. Because a large majority of the basic issues involved concern matters which are within the province of the Department of State, I have recommended that the State Department be asked to prepare a first draft of such a statement.

I bring this matter to your attention because I believe that this project is one in which you will be interested and which should be given the highest possible priority.

JAMES FORRESTAL

811.20200(d)/7-2048

*The Secretary of State to Certain Diplomatic and Consular Offices*<sup>1</sup>

CONFIDENTIAL

WASHINGTON, July 20, 1948.

The Secretary of State refers to the information and educational exchange programs<sup>2</sup> and in particular to recent communications concerning United States information policy with regard to anti-American propaganda. There is enclosed for the information of the Officers in Charge and other appropriate officers, particularly those concerned with the information and educational exchange programs, a statement of the objectives of United States information policy with regard to anti-American propaganda. There is also enclosed a statement of guidance for the selection and preparation of information materials with regard to anti-American propaganda prepared by the Department primarily for the use of its media divisions but which, it is felt, may be useful to officers concerned with the activities of the information and educational exchange programs in the field.

<sup>1</sup> Sent to 84 United States Embassies, Legations, Consulates, and Political Advisers.

<sup>2</sup> On January 27, 1948, President Truman signed the U.S. Information and Educational Exchange Act (the Smith-Mundt Act); Public Law 402, 80th Cong., 2nd sess.; 62 Stat. 6). This measure authorized a broad, permanent information and cultural exchange program which was to be administered by the Department of State.

The Department appreciates the suggestions and recommendations received to date from various missions on the subject under reference and will appreciate further comments which the Officers in Charge may wish to make, either on the general subject under reference or on any particular aspect of this subject as it relates to conditions in the country to which he is accredited.

[Enclosure 1]

#### UNITED STATES INFORMATION POLICY WITH REGARD TO ANTI-AMERICAN PROPAGANDA

The objectives of U.S. information policy with regard to anti-American propaganda are:

1. To report the truth objectively and factually in the dissemination of information through all media available.
2. To influence opinion in third countries in a direction favorable to the attainment of U.S. national objectives.
3. To win more positive support abroad for U.S. policies and to gain a more sympathetic understanding of U.S. actions.
4. To counteract the effectiveness of the anti-American propaganda campaign in third countries.
5. To diminish the acceptance of and belief in, false or distorted concepts about the U.S. in third countries.
6. To gain acceptance, among the peoples of third countries, of the truth about the policies and actions of the USSR and its satellites with a view to strengthening opposition to the USSR and to Communist organizations.
7. To increase materially knowledge among the peoples of third countries concerning the United States, its policies, actions, life and institutions.

[Enclosure 2]

#### GUIDANCE FOR THE SELECTION AND PREPARATION OF INFORMATION MATERIALS TO IMPLEMENT THE OBJECTIVES OF U.S. INFORMATION POLICY WITH REGARD TO ANTI-AMERICAN PROPAGANDA

1. We should continue to report the truth about U.S. life, institutions, policies and actions, but with greater attention to those facts which will more effectively serve to implement our information objectives.
2. We should continue always to affirm U.S. policy, emphasizing its constructive aspects, its support of the principles of freedom, prosperity, and independence implicit in the Charter of the United Na-

tions. We should avoid giving the impression it is on the defensive or is vulnerable to hostile charges.

3. We should use all our resources to correct, as far as possible, the false or distorted stereotypes concerning the U.S. which are widely held among the people of third countries. The most widely-held stereotypes include:

a. The belief that the U.S. and its citizens have unlimited wealth.  
b. The belief that the U.S. is imperialistic and desires to "dominate" other nations.

c. The belief that the U.S. government is run by "Wall Street" and by "the monopoly capitalists."

d. The belief that Americans are wholly materialistic, have no culture worthy of mention, and judge everything by its value in dollars.

e. The belief that Americans are generally "immoral", have little "family life" and condone "loose living."

f. The belief that American democratic principles are loudly proclaimed as a cloak for undemocratic practices and for the purpose of concealing wide-spread racial and economic discriminations and extensive concentration of political and economic power in the hands of the few.

4. We should use all our information resources to create confidence in the political and economic stability of the U.S., its government and institutions.

5. We should use our information resources to convince the people of third countries that achievement of their own aspirations will be significantly advanced with the realization of U.S. national objectives.

6. We should expose Soviet policies and actions that directly or indirectly jeopardize the interests of third countries, their independence or the aspirations of free men in those countries. This should be done only when hard facts can be used that will be acceptable as truth by the people of third countries in the face of Soviet and Communist counter-charges. Criticisms of Soviet policies and actions should be confined to important issues or situations, should be specific, and supported by good evidence.

7. We should openly take cognizance of the major themes of anti-American propaganda, and impute their dissemination, when desirable, to Soviet or Communist sources throughout the world.

8. We should expose falsehoods, correct errors and state the motives for distortion, in significant cases and when hard facts and good evidence can be used.

9. We should expose the discrepancy between professed Soviet and Communist aims and actual Soviet and Communist practices on all major issues which illustrate the distinction between democratic and totalitarian government or which have a direct bearing on the vital

interests of third countries. Specifically, we should use our information resources to demonstrate:

a. The difference between Soviet pretensions as a "peace-loving" state and Soviet actions in obstructing efforts toward the peace settlements, toward control of atomic energy and similar problems.

b. The difference between Soviet pretensions as a state interested in economic well-being of all peoples and Soviet action in obstructing efforts toward world economic recovery.

c. The difference between Soviet pretensions in support of the sovereignty and independence of smaller nations and Soviet actions resulting in the domination and exploitation of smaller nations.

10. We should only permit ourselves to be drawn into accusations and counter-accusations with respect to the USSR or countries with Communist regimes when the advantages of such a propaganda exchange are clear. They should be clear when the issue directly involves the vital interests of a third country or a vital issue in the conduct of U.S. foreign policy and when accusations can be carefully documented.

11. We should abstain from using the propaganda patterns of the USSR and Communist organizations and we should abstain from personal vilification of Soviet and Communist leaders.

12. We should bear in mind that the people of third countries do not react with shock, anger or indignation to the charges made in anti-American propaganda as do some Americans.

13. We should bear in mind that anti-American attitudes often exist within strongly nationalist but non-Communist groups in third countries who, because of this, are susceptible to Soviet and Communist propaganda, but who can and should be won over to a more friendly and sympathetic attitude toward the U.S.

14. We should bear in mind that the people of most third countries are primarily interested in those U.S. policies, actions and internal developments that directly affect their welfare, their immediate economic prospects and their immediate individual interests.

15. We should bear in mind that the people of most third countries are little concerned with pretensions of the righteousness of U.S. aims or the sincerity of U.S. motives unless there is concrete supporting evidence that specific U.S. aims and motives are directly beneficial to their interests.

16. We should bear in mind that the people of most third countries have little conception of American democratic principles and practices and that their interest in our democratic principles and practices is likely to be in direct proportion to the demonstrated value of our experience in the solution of their immediate problems.

SANACC Files

*Report to the State-Army-Navy-Air Force Coordinating Committee  
by the Subcommittee for Rearmament<sup>1</sup>*

SECRET

[WASHINGTON,] July 26, 1948.

SANACC 360/5

CONSIDERATIONS RELATIVE TO CONTINUING SUPPORT OF PROGRAMS OF  
U.S. MILITARY ASSISTANCE TO FOREIGN NATIONS

- References: a. SWN-5602, 30 July 1947.<sup>2</sup>  
b. SANACC 360/4, Legal and Legislative Aspects of United States Military Assistance to Foreign Nations, 29 Dec 1947.<sup>3</sup>  
c. Appreciation of Foreseeable Foreign Needs for U.S. Military Assistance during the Next Three to Five Years, 10 Jul 1947. (Not enclosed. Will be furnished on request by the SANACC Secretariat.)<sup>4</sup>

## THE PROBLEM

1. To study and make recommendations concerning considerations relative to continuing support of programs of U.S. military assistance to foreign nations, taking cognizance of the statements that,

<sup>1</sup> This report was initially submitted to SANACC by its Subcommittee for Rearmament on February 27, 1948. Its conclusions were approved by the parent body in a slightly amended form on July 26; they are printed here in the form approved by the Committee. (SANACC Files) On August 5, SANACC 360/5 was circulated in the Department of State by Charles E. Saltzman, Department of State Member and Chairman of SANACC, and Assistant Secretary of State for Occupied Areas. The memorandum of transmittal read in part as follows: "It is requested that in all matters pertaining to programs of military assistance to foreign nations, and notably in the case of long-term programs, where consideration of the necessity and means of continuing support of such programs is required, the approved Conclusions of this document be applied as a matter of policy guidance." (800.24/7-2748)

<sup>2</sup> SWN 5602, not printed, a memorandum to the Chairman of the Rearmament Subcommittee, July 30, 1947, directed the Subcommittee to undertake a series of studies concerning military assistance one of which resulted in the present report (SANACC Files).

<sup>3</sup> SANACC 360/4, prepared by the Subcommittee on Rearmament in response to section 1 of SWN 5602 (see footnote 2 above), is not printed. SANACC 360/4 recommended that enabling legislation for a comprehensive military assistance program be drafted. (SANACC Files) The Joint Chiefs of Staff subsequently drafted such legislation (at the request of the House Committee on Foreign Affairs) which the Secretaries of State and Defense presented jointly to the Committee for inclusion in the Foreign Assistance Act of 1948 as Title VI. However, legislative leaders and representatives of the interested executive departments later agreed to withdraw Title VI in order to expedite the passage of remainder of the bill (which included the Economic Cooperation Act, subsequently approved, April 3, 1948, 62 Stat. (pt. 1) 137). With respect to the proposed Title VI, see also NSC 14/1, July 1, 1948, p. 585.

<sup>4</sup> Not printed.

a. "In many cases, initial requirements constitute the least important part of a program, the major problem being to provide for subsequent requirements for replacements, spare parts, and maintenance;" and

b. "In the case of foreign nations which are economically unable to support their minimum requirements for a military establishment, consideration should be given to the advisability of providing financial assistance for this purpose."

#### FACTS BEARING ON THE PROBLEM

2. See Appendix "A".<sup>5</sup>

#### DISCUSSION

3. See Appendix "B".<sup>5</sup>

#### CONCLUSIONS

4. It is concluded that before embarking upon a course of military assistance to a foreign nation the following factors should be considered:

a. U.S. foreign policy may be substantially impaired in certain of its objectives if the result of U.S. military assistance (excluding war or threats of war) is the possible alienation of a friendly nation through early breakdown of that military assistance.

b. It may well prove inimical to our national interest to transfer military equipment to a foreign nation without considering the possible future need for replacements and spare parts and without having or clearly foreseeing the means to furnish such needed replacements and spare parts.

c. The size and cost (present and continued) of a military assistance program should be carefully studied in relation to its economic feasibility to avoid an unremunerative dissipation of U.S. resources, excessive foreign commitments or contributing to an undue burden upon a friendly nation.

d. In cases where military assistance is considered sufficiently important to the national interest of the United States, supporting or financing through U.S. means should be given policy consideration when the recipient nation cannot wholly or in part support the required program.

5. A complete and accurate report should be prepared for Congressional consideration, in cases of those countries where U.S. Government support or financing is required.

6. Appropriate subcommittees in coordination with Rearmament Subcommittee of SANACC should be charged with making recommendation to SANACC twice a year with respect to continuing support of military assistance programs in effect.

<sup>5</sup> Not printed.



7. Prior to approval of a program of military assistance of long-term concern to the U.S. which involves considerable quantities of munitions, the approving authority should review the proposed program in the light of the questions posed in paragraph 5 of Appendix "B".<sup>6</sup>

## RECOMMENDATIONS

8. It is recommended that:

- a. SANACC approve the foregoing conclusions.
- b. After approval of the above conclusions, this report be transmitted to the Secretaries of State, Defense, Army, Navy, and Air Force for information and appropriate implementation.

<sup>6</sup> Paragraph 5 of Appendix "B" is titled "Considerations of Continuing Support."

811.20/8-548

*Memorandum by the Director of the Policy Planning Staff (Kennan)  
to the Secretary of State and the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] August 5, 1948.

At the NSC meeting today Mr. Souers will read the attached statement concerning Mr. Forrestal's recent memorandum asking for certain basic policy estimates affecting national defense.<sup>1</sup>

The following are my views on this subject:

1. I have told Mr. Souers that while I understand the need for the best attempts we can make at estimates of this sort, I think we should be on guard against exaggerating the value of such estimates in solving the problems Mr. Forrestal has in mind. To support this statement I have pointed out:

(a) The world situation is now extremely fluid. No one can make predictions with any certainty. The possibilities are widely varying ones; the developments could move at any time in one of several widely varying directions.

(b) The world situation is not something which exists independently of our defense policy and to which we need only react. It will be deeply influenced by the measures which we ourselves take. Our adversaries are extremely flexible in their policies and will adjust themselves rapidly and effectively to whatever we may do. Our policies must therefore be viewed not only as a means of reacting to a given situation, but as a means of influencing a situation as well.

(c) In most cases where Mr. Forrestal's memo implies that we are faced with choices, the answer is not "either/or" but "both". We cannot possibly say that we should be prepared for a war either in 1950 or in 1952 or any other date; that we intend to achieve our objectives either by military means or by non-military means; etc. These

<sup>1</sup> NSC 20, July 12, 1948, p. 589.

things are hopelessly intertwined. The decisions are really only decisions of emphasis and priority, which must be determined from day to day in the light of rapidly shifting situations.

2. There has already been sent to Mr. Forrestal by letter of June 25, 1948, as PPS/33 (copy attached) a paper which gives the best answers we can give to one portion of Mr. Forrestal's questions.<sup>2</sup> We have had no reaction to this. So far it has gone to the NSC only for information. Mr. Forrestal might be asked whether he would have any objection to its being laid before the NSC for consideration and possible approval or modification.

3. I am at present working on a study of U.S. objectives with respect to the Soviet Union.<sup>3</sup> This study is almost completed and I can finish it any time I can get a few uninterrupted hours for this purpose. It will, I think, answer a large part of paragraph 2 of Mr. Souers' requirements. I think it might be suggested to the NSC that no further action be taken on Mr. Souers' paragraph (2) until this study has been completed and laid before the Council.

GEORGE F. KENNAN

[Annex]

#### Brief on NSC 20

##### Draft

The problem posed by Mr. Forrestal appears to call for the preparation of three inter-related studies:

1. A current estimate of the existing or foreseeable threats to our national security; with particular reference to the USSR, including the probable nature and timing of these threats.

2. A statement of the objectives which this nation should pursue in the foreseeable future in order to safeguard its national security and to counter the existing or anticipated threats to that security.

3. A program of specific measures which, in the light of our existing commitments and capabilities, should and can be planned at this time to promote the achievement of our current national security objectives, with particular reference to those which should be included in our planning for the fiscal year 1950.

The Department of State is believed to be the appropriate Agency to prepare the first two studies on threats and objectives, and has in fact already prepared a paper entitled "Factors affecting the nature of the United States defense arrangements in the light of Soviet poli-

<sup>2</sup> The letter to Forrestal of June 25 is not printed. PPS/33 is printed as NSC 20/2, August 25, 1948, p. 615.

<sup>3</sup> For the summary of conclusions of the study under reference, NSC 20/1, August 18, 1948, see p. 609.

cies".<sup>4</sup> This paper, broadened to include an estimate of probable Soviet non-military activities, might serve as the estimate of the threats. I understand that the Department of State is also engaged in the preparation of a paper on our objectives with respect to Russia. It is, therefore, recommended that the Council agree that the Department of State will prepare the first two studies enumerated above.

The third study on a program, however, will require the assistance of the other Departments and Agencies on the Council since this program will include military measures and must be planned in the light of our domestic resources. Development of this program, however, should be deferred until after the Council has adopted, and the President has approved, the first two studies on threats and objectives. Based upon these studies, it is believed that the NSC Staff might furnish an appropriate vehicle for coordinating the preparation of the third study on a specific program. It is, therefore, further recommended that the Council agree to direct the NSC Staff to prepare the third study after completion of the first two studies.

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<sup>4</sup> NSC 20/2, August 25, 1948, p. 615.

800.24/8-648

*The Secretary of the Army (Royall) to the Secretary of State*

SECRET

WASHINGTON, August 6, 1948.

DEAR MR. SECRETARY: Reference is made to my letter of July 24, 1948,<sup>1</sup> in which I requested that the Department of the Army be furnished with a current revision of State Department document PCA/PD-11, dated August 20, 1947, subject: "Policy with respect to Relative Priorities for Receipt of U.S. Military Supplies."<sup>1</sup>

Since the referenced letter was written, requirements for the member nations of Western Union, particularly France, have become imminent. Even though assistance programs in connection with these countries do not have final approval, it is necessary to accord them priorities with respect to other programs in order to facilitate requisite planning and to determine availabilities of equipment. Another development, since my June 24th letter, is the mounting of pressures in connection with the aid program to China.

As has been mentioned we do not yet have governmental approval for programs of assistance in connection with the Western Union nations. However, in view of the implications of the Vandenberg resolu-

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<sup>1</sup> Not printed.

tion<sup>2</sup> and NSC 14/1 (The Position of the United States with Respect to Providing Military Assistance to Nations of the Non-Soviet World),<sup>3</sup> approved by the President July 10, 1948, I feel that it is merely a matter of time until programs of assistance materialize in connection with the Western Union nations. As you know, NSC 14/1 provides that first priority for programs of military assistance should be given to nations of Western Europe.

From a military point of view, I recommend that priorities in connection with military assistance programs to foreign nations be assigned as follows:

- Group I. (a) Western Union nations, (b) Greece, (c) China—\$125 million program,<sup>4</sup> (d) Turkey.
- Group II. Iran \$10 million program.<sup>5</sup>
- Group III. Argentina.<sup>6</sup>

The Department of the Army should have the right to vary the indicated order of priority under Group I where legal or practical considerations require it.

Sincerely yours,

KENNETH C. ROYALL

<sup>2</sup> For text of Senate Resolution 239 (the Vandenberg Resolution), June 11, 1948, which expressed support for the association of the United States with regional collective defense arrangements, see vol. III, p. 135.

<sup>3</sup> Of July 1, p. 585.

<sup>4</sup> For documentation on United States assistance to China under the \$125,000,000 grant of the China Aid Act, see vol. VIII, pp. 73 ff.

<sup>5</sup> For documentation on United States military assistance to Iran, see vol. V, Part 1, pp. 88 ff.

<sup>6</sup> For documentation on the position of the United States regarding military assistance to Argentina, see vol. IX, pp. 310 ff.

811.24500/8-748

*The Secretary of Defense (Forrestal) to the Secretary of State*

TOP SECRET

WASHINGTON, 7 August 1948.

DEAR MR. SECRETARY: In response to your suggestion that a review of the negotiations for base rights at this time would be appropriate,<sup>1</sup> I referred the matter to the Joint Chiefs of Staff for comment and recommendation.

The views of the Joint Chiefs of Staff are set forth in the enclosure which incorporates the changes contained in recent planning.

Sincerely yours,

FORRESTAL

<sup>1</sup> The suggestion under reference has not been further identified.

## Enclosure

*Memorandum by the Joint Chiefs of Staff*

TOP SECRET

[WASHINGTON, August 2, 1948.]

## VIEWS OF THE JOINT CHIEFS OF STAFF ON OVER-ALL EXAMINATION OF UNITED STATES REQUIREMENTS FOR MILITARY BASES AND BASE RIGHTS

The Joint Chiefs of Staff have reviewed their memorandum to the State-War-Navy Coordinating Committee dated 8 September 1947 (SM-8899)<sup>2</sup> and the Enclosure thereto. That memorandum was designed to supplement and revise the contents of their memorandum of 4 June 1946 (SWNCC 38/35)<sup>3</sup> relative to military rights desired in the territory of foreign nations.

It is considered that:

a. In the main, the provisions of the memorandum to the State-War-Navy Coordinating Committee still obtain.

b. The present international situation stresses the importance of insuring that the United States military forces be capable of operating on those bases listed therein as "required" with the exception of the Republic of Panama.<sup>4</sup> The situation also emphasizes the necessity for the early acquisition of long-term rights with respect to Iceland,<sup>5</sup> Greenland<sup>6</sup> and the Azores,<sup>7</sup> and the desirability of early acquisition of such rights with respect to those remaining bases listed as "required". Negotiations for base rights in Iceland, Greenland and the Azores, however, should not be pressed to the extent of jeopardizing our capability of operating under temporary rights.

c. Present planning indicates the desirability of obtaining rights for operational use, in the event of emergency, of the bases listed below on a "joint" or "participating" basis rather than "transit" as requested in SWNCC 38/35.

<sup>2</sup> For text of SWNCC 38/46, September 9, 1947, a memorandum by the Joint Chiefs of Staff to the State-War-Navy Coordinating Committee on over-all United States requirements for military bases and base rights, see *Foreign Relations*, 1947, vol. i, p. 766.

<sup>3</sup> For text, see *ibid.*, 1946, vol. i, p. 1174.

<sup>4</sup> For documentation on United States relations with Panama and on the bases question, see vol. ix, pp. 647 ff. and pp. 664 ff.

<sup>5</sup> For documentation on United States policy with respect to Iceland, see vol. iii, pp. 720 ff.

<sup>6</sup> For documentation on United States interest in Greenland, see *ibid.*, pp. 584 ff.

<sup>7</sup> For documentation on United States relations with Portugal, including material on the matter of the Azores, see *ibid.*, pp. 995 ff.

<i>Base</i>	<i>Sovereignty</i>	<i>Reference SWNCC Paper</i>
Monrovia	Liberia	(38/34) <sup>8</sup>
Casablanca	French	(38/43) <sup>8</sup>
Algiers	French	(38/30) <sup>9</sup>
Tripoli	Ex-Italian	(38/30)
Cairo-Suez area	British-Egyptian	
Dhahran	Saudi Arabia	(38/30)
Karachi	Pakistan	(38/30)

The facilities required at Casablanca, the Cairo-Suez area and Karachi far exceed those envisaged in SWNCC 38/35.

d. In addition to the bases listed in SWNCC 38/35, present planning requires "joint" or "participating" rights in the event of emergency at the following bases and base areas:

Oran, Algeria	Oman
Tunis-Bizerte, Tunisia	Trucial Oman
Massaua, Eritrea	Socotra Island
Bahrein Island	Foggia, Italy <sup>10</sup>
Aden	Kunming, China
Hadhramaut	

e. Present planning requires "joint" or "participating" rights which will permit continued operation of facilities now existing at Asmara, Eritrea.

f. Although long-term rights for the bases listed below are still desirable, there is no need for pressing at the present time for:

<i>Base</i>	<i>Sovereignty</i>	<i>Reference SWNCC Paper</i>
Republic of Panama	Panamanian	(38/35)
Viti-Levu	British	(38/39) <sup>8</sup>
Tontouta	French	(38/36) <sup>8</sup>

g. As indicated in memorandum of the Secretary of Defense dated 24 April 1948,<sup>8</sup> there is also the requirement for obtaining "joint" or "participating" rights in the event of emergency in Curacao, Aruba, and Venezuela.

h. The requirement for "participating" rights in Talara, Peru, as established in SWNCC 38/35 can now be reduced to air transit rights.

It may be necessary in the near future to make further revision of these requirements resulting from future developments in the political-military situation.

<sup>8</sup> Not printed.

<sup>9</sup> For text, see *Foreign Relations*, 1946, vol. I, p. 1142.

<sup>10</sup> For documentation on United States military relations with Italy, see vol. III, pp. 724 ff.

S/S-Files : Lot 63D351 : NSC 25 Series

*Report to the National Security Council by the Secretary of Defense*

NSC 25

WASHINGTON, August 12, 1948.

NOTE BY THE EXECUTIVE SECRETARY TO THE NATIONAL SECURITY  
COUNCIL ON INTERIM TERMS OF REFERENCE OF SANACC<sup>1</sup>

The Secretary of Defense has indicated his approval of the enclosed Interim Terms of Reference of the State-Army-Navy-Air Force Coordinating Committee, which had been previously agreed to by the Secretaries of the Army, Navy and Air Force and by the Under Secretary of State. The Secretary of Defense has suggested that the National Security Council formally concur in the enclosure inasmuch as it establishes a relationship between the National Security Council and SANACC and calls upon the Executive Secretary of the Council to perform certain specified functions.

Accordingly, the enclosure is submitted herewith for consideration and concurrence by the National Security Council at its next regular meeting scheduled for Thursday, August 19, 1948.<sup>2</sup>

SIDNEY W. SOUERS

[Enclosure]

INTERIM TERMS OF REFERENCE OF THE STATE-ARMY-NAVY-AIR FORCE  
COORDINATING COMMITTEE

26 JULY 1948.

The State-Army-Navy-Air Force Coordinating Committee shall be continued in operation for the next six months, subject to the following terms of reference which will be reviewed at that time.

1. *Membership.* The Committee will consist of either an Under or Assistant Secretary from each of the Departments of State, Army, Navy and Air Force. The representative of the Department of State will be Chairman of the Committee. The SANACC is authorized to establish such standing and "ad hoc" committees as are necessary for the accomplishment of such functions.

<sup>1</sup> The State-War-Navy Coordinating Committee was established in December, 1944, as the principal inter-departmental organization concerned with the coordination of foreign and military policies; for documentation on the establishment of SWNCC, see *Foreign Relations*, 1944, vol. 1, pp. 1466-1470. The committee was reconstituted as the State-Army-Navy-Air Force Coordinating Committee in October, 1947, in view of the National Security Act of 1947.

<sup>2</sup> The National Security Council concurred in this report at its 18th Meeting, August 19.

2. *Functions.* The SANACC will perform the following functions:

a. Advise and assist the National Security Council, including the preparation of such reports and studies as may be requested by the National Security Council.

b. Be responsible for the coordination of matters referred to it by any of its members or by the National Security Council. It shall not, however, be used for the coordination of either (1) matters concerning occupied areas (provided that matters of strategic importance or direct interest to the Departments of the Navy or the Air Force will be referred to SANACC even though the area concerned is an occupied area) or (2) matters of limited interest which can be more expeditiously coordinated by direct interdepartmental consultation.

c. Consult in appropriate cases with non-member departments and agencies of the government. Representatives of these agencies may be invited to participate as "ad hoc" members of the Committee when matters of interest to them are under consideration.

3. *Powers.* All matters requiring major policy determination and those on which the Departments represented on the SANACC are unable to reach agreement within a reasonable length of time will be submitted to the National Security Council. In matters consistent with established governmental policy, unanimous actions and decisions of the SANACC will be construed as effective decisions of the Secretaries of State, Defense, Army, Navy and Air Force.

4. *Secretariat.* The Secretariat of SANACC will be headed by an Executive Secretary nominated by the Secretary of State and approved by the Committee. Additional personnel for the SANACC Secretariat will be detailed by the member departments as agreed upon among themselves. In order to effect coordination between SANACC and the National Security Council, the Executive Secretary of SANACC shall keep the Executive Secretary of the National Security Council immediately advised of all matters referred to SANACC and of all proceedings and all actions by SANACC. The Executive Secretary of the National Security Council shall advise the SANACC whenever it appears that such activities duplicate or conflict with matters under consideration by the National Security Council.

The above Interim Terms of Reference are concurred in.

KENNETH C. ROYALL

*Secretary of the Army*

JOHN L. SULLIVAN

*Secretary of the Navy*

W. STUART SYMINGTON

*Secretary of the Air Force*

ROBERT A. LOVETT

*Under Secretary of State*



811.20200(D)/8-1348

*Memorandum by Mr. Charles S. Reed of the Division of Southeast Asian Affairs to the Director of the Office of Far Eastern Affairs (Butterworth)*

SECRET

WASHINGTON, August 13, 1948.

As requested the following comments and suggestions are submitted relative to the subject matter of Mr. Rusk's memorandum of July 27, transmitting a copy of Mr. Jessup's<sup>1</sup> letter to him.<sup>2</sup> It will be recalled that that memorandum and letter asked how we could meet anti-American propaganda directed by Moscow to the emergent nations of Southeast Asia.

There is every indication that Moscow is turning more and more attention to the Far East, particularly to Southeast Asia, and it can be expected that that attention will be expressed by intensified propaganda stressing Soviet friendship for colonial peoples and attacking the US as condoning and even leading the imperialist exploitation of such peoples. We have, therefore, the pressing problem, and one that will continue so long as the Soviet and the US are in diametrically opposed camps and accept fundamentally contradictory ideologies, of convincing the peoples of Southeast Asia that Moscow is not their real champion, that Soviet tactics have an ulterior and far from altruistic motive, that the US is desirous of their ultimate obtention of independence, and that the US is sincerely and unselfishly interested in their progress.

Propaganda countering that of Moscow is the first means of orienting the peoples of Southeast Asia away from the Soviets and towards the US. Our propaganda program should be *aggressive* as we are laying the foundation for the future—in a few years most if not all of the major oriental races will have emerged as nations and will be in a position to form an oriental bloc for or against us.

One part of our attack should emphasize the inequities of Soviet policy and purpose by making clear to the peoples of Southeast Asia that communism and nationalism are not one and the same thing, that communist penetration is incompatible with and spells the end of independence, and that a communist state is but a satellite of Moscow with no scope for uncontrolled action or thought. We have plenty of ammunition for this attack in the examples of Yugoslavia, Czechoslovakia, Poland, Rumania, Bulgaria, Hungary and others.

In contrast to the Soviet record of infiltration, broken pledges,

<sup>1</sup> Philip C. Jessup, Deputy Chief of the United States Mission at the United Nations.

<sup>2</sup> Neither the memorandum nor the letter is printed.

elimination of sincere nationalists, and smothering of liberties, we should present our case by employing some if not all of the following:

(1) Make known that US policy towards emergent nations is to grant full political recognition at the earliest possible moment and to support their active participation in the family of nations. In this we can make use of our record in the Philippines, in the Good Offices Committee in Indonesia,<sup>3</sup> our approval of the liberal British policy in Burma and Malaya, et cetera.

(2) Publicize our readiness to loan technical experts in the fields of economic and social endeavor to emergent nations, so as to prepare them to take their place and compete in the modern world. As a part of this we can encourage American business interests to initiate and enlarge their efforts in trade and industrial relations, stressing the positive contribution American business can make and disabusing the peoples of Southeast Asia of the idea that American business means exploitation *per se*.

(3) Initiate and advertise a substantial program of bringing qualified students to the US for educational and training purposes, so that these students may take back to their countries a full knowledge of our ideas and ways of life and be able to contrast our freedoms with the lack of liberties in Soviet-controlled lands.

The efforts of missionary and religious organizations which emphasize educational and medical work should be of propaganda value.

By the above we should be able to demonstrate the fallacies extant and inherent in Soviet propaganda, to bring into the clear the practical benefits of orientation towards the US and, by implication, the unhappy results of not following such orientation. In all this we should definitely avoid the appearance of being dependent upon the emergent nations but should endeavor to "put across" the idea that their independence and future prosperity depend solely upon the US.

Much can be done in the immediate future and as a long-range program by USIS activities expressed through the printed word, by visual means, and with the radio. *We should outdo by repetition and emphasis* the repetitious anti-US propaganda now flowing from Soviet and Soviet-controlled sources.

Mention has been made above as to the possible formation of an oriental bloc. This is a development for the future, for there is at present a distinct lack of regional cohesion in Southeast Asia. The nearest approach to such a development has been the Southeast Asia League, which has had to date remarkably little success. A hinted approach to such a development has been the rather nebulous movement to league together Indonesia, Malaya and the four southern provinces of

<sup>3</sup> For documentation on the interest of the United States in nationalist opposition to the restoration of Netherlands rule in the East Indies and consideration by the United Nations Security Council of the Indonesian case, see vol. vi, pp. 57 ff.

Siam—the basis for the movement being the Muslim populations and the inspiration coming from Muslim leaders. The foregoing would explain the overall interest of the Islamic world in the emergent nations of Southeast Asia and the Islamic appeal for assistance for Southeast Asia nationalism. In this connection we should endeavor to strengthen our ties with the Islamic world, by which the US has been highly regarded hitherto by reason of a tradition of fairness and altruism, and in such an endeavor we might find it advantageous to back Turkey, an important figure in the Islamic world, for one of the non-permanent seats on the Security Council.

In sum, our answer to Soviet anti-US propaganda should be to attack along the lines indicated—our present appeal to emergent nations should be to harp incessantly upon our willingness to assist them to attain national independence to the extent of their capacity therefor, with our record in the Philippines ever in the foreground. But we should keep in mind that it may well not be in the interest of the US to contribute at this time to regionalism in national movements in Southeast Asia and that it may be advantageous to play one country off against another until we are certain that regionalism in Southeast Asia will be oriented towards the US. Our long-range policy will naturally be guided by developments in Soviet-US relations.

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*Report to the National Security Council by the Department of State:  
Summary of Conclusions*<sup>1</sup>

TOP SECRET  
NSC 20/1

[WASHINGTON, August 18, 1948.]

## U.S. OBJECTIVES WITH RESPECT TO RUSSIA

### I. GENERAL OBJECTIVES

In general, it should be our objective in time of peace as well as in time of war,

(a) to reduce the power and influence of Moscow to limits where they will no longer constitute a threat to the peace and stability of international society; and

(b) to bring about a basic change in the theory and practice of international relations observed by the government in power in Russia.

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<sup>1</sup> NSC 20/1, a document of 52 pages prepared by the Policy Planning Staff (PPS/38, August 18), was transmitted by the Department of State to the National Security Council and the Secretary of Defense on August 18 in response to the latter's request contained in NSC 20, July 12, p. 589. NSC 20/1 included this summary of conclusions as an attachment.

## II. PEACETIME AIMS

Accordingly, it should be our aim in time of peace:

(a) To encourage and promote by means short of war the gradual retraction of undue Russian power and influence from the present satellite area and the emergence of the respective eastern-European countries as independent factors on the international scene;

(b) To encourage by every means possible the development in the Soviet Union of institutions of federalism which would permit a revival of the national life of the Baltic peoples;

(c) By informational activity and every other means at our disposal, to explode the myth by which people remote from Soviet military influence are held in a position of subservience to Moscow and to cause the world at large to see and understand the Soviet Union for what it is and adopt a logical and realistic attitude toward it; and

(d) To create situations which will compel the Soviet Government to recognize the practical undesirability of acting on the basis of its present concepts and the necessity of behaving, at least outwardly, as though it were the converse of those concepts that were true.

It would *not* be our aim, in time of peace:

(a) To place the fundamental emphasis of our policy on preparation for an armed conflict, to the exclusion of the development of possibilities for achieving our objectives without war; or

(b) To bring about the overthrow of the Soviet Government.

## III. WARTIME AIMS

It should be our aim in time of war:

(a) To destroy Soviet military influence and domination in areas contiguous to, but outside of, the borders of any Russian state;

(b) To destroy thoroughly the structure of relationships by which the leaders of the All-Union Communist Party have been able to exert moral and disciplinary authority over individual citizens, or groups of citizens, in countries not under communist control;

(c) To assure that no communist regime was left in control of enough of the present military-industrial potential of the Soviet Union to enable it to wage war on comparable terms with any neighboring state or with any rival authority which might be set up on traditional Russian territory; and

(d) To assure that any regime or regimes which may exist on traditional Russian territory in the aftermath of a war

(1) does not have strong military power;

(2) is economically dependent to a considerable extent on the outside world;

(3) does not exercise too much authority over national minorities; and

- (4) imposes nothing resembling the present iron curtain over contacts with the outside world.

It would *not* be our aim, in time of war:

(a) To achieve any specific border arrangements, pre-conceived without regard to the political framework emerging from the war,—*except* to assure that the Baltic states should not be forced to remain under any communist or other extremist regime;

(b) To assure the independence of the Ukraine or any other national minority (with the same reservation concerning the Baltic states);

(c) To assume responsibility for deciding who would rule Russia in the wake of a disintegration of the Soviet regime; or

(d) To carry out with our own forces, on territory liberated from the communist authorities, any large-scale program of de-communization.

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501.BB/8-2148: Telegram

*The Ambassador in the Soviet Union (Smith) to the Secretary of State*

SECRET

Moscow, August 21, 1948.

1706. Breakdown of Moscow talks and reference Berlin question to UN would of course focus attention GA on Germany and East-West debate would revolve around this question. Nevertheless, Embassy believes that whether Germany is directly discussed or not Soviet basic theme for Assembly will probably remain the same (Depcirtel July 1; Embtel 1296, July 10).<sup>1</sup>

In view its popular appeal and Communist predilection for slogans, seems to us likely that "peace offensive" will be Soviet slogan. Presentation however, will probably follow formula of "US-led offensive for war versus Soviet-led counteroffensive for peace". This would follow in logical sequence Soviet 1946 and 1947 themes of "disarmament" and "warmongering" offering opportunity to contend that West had rejected disarmament, progressed to active propaganda for war and had now reached stage of actual preparation and instigation of new imperialist war.

The "counteroffensive" of "struggle for peace" against "western" or "Anglo-American imperialism" is carefully planned propaganda program which has been in progress for some time, and has been gradually replacing in Soviet dogma the old term "capitalist encirclement", a conception, according to Stalin, no longer possible. It appears to have

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<sup>1</sup> Neither printed. The circular telegram of July 1 requested views with respect to the possible focal point of the Soviet position at the General Assembly and subsidiary issues which might be brought forward (501.BB/7-1448).

been launched in first issue of *New Times* (successor to *War and The Working Class*) June 1, 1945, which referred to struggle against enemies peoples liberties and peace and pledged itself to work for "lasting peace and friendly cooperation among freedom loving nations."

Although development this program has been obscured for uninitiated by usual Communist double talk, real meaning of "peace offensive" was clearly revealed in *Cahiers de Communisme* of April 1, 1948, which referred to "final victory over capitalism, or in other words the final victory over war." It has therefore become unmistakable that "peace" in Soviet lexicon means destruction of capitalism and that "struggle for peace" is now synonymous with promotion world revolution.

Recent major documentation of "counteroffensive for peace" includes Vyshinsky's GA speech September 18, 1947;<sup>2</sup> Zhdanov's report to Cominform, September 1947;<sup>3</sup> Molotov's speech to Moscow Soviet, November 6, 1947;<sup>4</sup> Molotov's reply to Ambassador Smith of May 9, 1948;<sup>5</sup> Stalin's reply to Wallace of May 17, 1948;<sup>6</sup> and declaration of eight foreign ministers at Warsaw, June 24, 1948.<sup>7</sup> Coming GA session will be next step and practically all questions before that body could be reduced to this issue.

Especially in view of fact Soviet Government will be on defensive with respect most prospective GA agenda items, we believe Soviet Delegation will try to take initiative in presentation this theme and to secure at least initial propaganda victory. They will probably peg it to some specific proposal, nature of which can only be guessed at at

<sup>2</sup> For the record of the address by Andrey Yanuaryevich Vyshinsky, Chairman of the Soviet Delegation to the 2nd Session of the United Nations General Assembly, September 18, 1947, see United Nations, *Official Records of the General Assembly, Second Session, Plenary Meetings*, pp. 81-106.

<sup>3</sup> The report by Andrey Alexandrovich Zhdanov, Secretary of the Central Committee of the Communist Party of the Soviet Union and acknowledged leader of the Communist Information Bureau (Cominform), was published in *Pravda*, October 22, 1947. For documentation on developments within the Soviet Union in 1947 of significance to United States-Soviet relations, see *Foreign Relations*, 1947, vol. iv, pp. 514 ff.

<sup>4</sup> For comments on this speech by Vyacheslav Mikhailovich Molotov, Minister for Foreign Affairs of the Soviet Union, see *ibid.*, p. 614.

<sup>5</sup> For the texts of the notes exchanged by Ambassador Walter Bedell Smith and Soviet Foreign Minister V. M. Molotov, at Moscow, May 4 and May 9, see *ibid.*, pp. 847 and 854.

<sup>6</sup> Henry A. Wallace, former Cabinet Member and Vice President, campaigning for President as an independent, proposed suggestions for improving United States-Soviet relations in an open letter to Premier Stalin revealed in a New York speech of May 11. Stalin replied in favorable terms on May 17. For additional information on this exchange see *ibid.*, pp. 870-871.

<sup>7</sup> Reference is to the Warsaw Conference on Germany, June 23-24, 1948, attended by Molotov and the foreign ministers of seven other eastern European nations; for documentation on this subject in connection with the London Conference on Germany, see vol. II, pp. 338 ff. For text of the declaration, see Margaret Carlyle (ed.), *Documents on International Affairs 1947-1948* (London: Oxford University Press, 1952), p. 566.

this stage. Despite hazard involved, and while recognizing that a really surprise "red herring" cannot be excluded we venture as our best guess, resolution calling for withdrawal all armed forces inside borders home country. This would appear logical elaboration 1946 resolution<sup>8</sup> and proposed reciprocal withdrawal forces from Korea,<sup>9</sup> well calculated to secure widespread favorable propaganda reaction and be difficult to counter.

On basis foregoing estimate, following is our conception of probable line of verbal assault Soviet Delegation can be expected to launch in GA (unless the concentration is on German question as suggested above):

1. US leads offensive for war in form of political, military and economic actions. Political offensive is based first on organization of "blocs" directed against Soviet Union and "sister democracies", most important of which is "Atlantic union" dominated by US for its aggressive aims. In addition to Western Union, US attempts form other blocs which will be brought into Atlantic group or will cooperate fully with it. These include Scandinavian bloc, Iberian bloc, and Near East bloc, not to speak of Latin America. Second political manifestation war offensive is use of occupation as instrument of aggression. US in Germany and Japan seeks revival reactionary ruling groups, suppresses democratic tendencies, and prevents democratization and demilitarization. Third political facet is US-led imperialist oppression of colonial peoples, manifest Indonesia, Indochina,<sup>10</sup> Malaya, and other "colonial areas". Colonial problem assumes ever-increasing importance.

Military offensive embraces: conversion Germany and Japan into *place d'armes* against Soviet Union; construction military bases within striking distance Soviet Union and East European "people's democracies"; military aid to and therefore control of weaker countries as Turkey, Greece, Iran, China; US-British military connivance and mutual planning and preparation; military preparations of US; refusal US-British agree Soviet proposals disarmament, reduction forces, and outlawry atomic bomb.

Economic offensive for war is based on Marshall Plan as plot for enslavement Europe and securing monopoly strategic raw materials, engineered outside restraining influence UN. Thirst for oil sabotages UN decision on Palestine and exploits both Jewish and Arab peoples.

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<sup>8</sup> For text of the Soviet resolution on troops on foreign territory presented to the United Nations Security Council and subsequently introduced in the General Assembly, see telegram 527 from New York, August 29, 1946, in *Foreign Relations*, 1946, vol. I, p. 892.

<sup>9</sup> For documentation on United States policy regarding Korea, including its position on Soviet advocacy of reciprocal troop withdrawal, see vol. VI, pp. 1079 ff.

<sup>10</sup> For documentation on interest of the United States in nationalist opposition to the restoration of French rule in Indochina, see *ibid.*, pp. 19 ff.

Simultaneously US strives economically dominate Far East, with Japan as base.

2. Soviets lead counteroffensive for peace. Politically Soviets have strictly observed Yalta, Potsdam and UN charter as opposed to West violation these agreements. Soviets fight against warmongering, support "democratic" forces and endeavor destroy Fascist-militarist groups in occupied areas. Soviets support "peoples liberation movements" in colonial areas. West powers have twisted trusteeship into another form of capitalistic oppression.

Military defense Soviet policy based on Soviet stand on disarmament, outlawry atom bomb, and reduction and withdrawal armed forces.

Economic defense Soviet policy will take form contrasting Soviet desire aid economic reconstruction Europe, but without destroying independence peoples, with rapacious enslaving nature Marshall Plan. Desire Soviets use UN for economic questions may be stressed with suggestion that instead of Marshall Plan, UN be given responsibility for distribution of international aid (Wallace's suggestion to Stalin).

Soviets will undoubtedly direct propaganda barrage principally to countries of Western Europe. It will behoove US Delegation not only to meet and refute Soviet arguments with fact, but itself to assume propaganda offensive and neglect no opportunity to dramatize and push home West case.

Sent Department 1706, Department pass Paris 269, London 157, Warsaw 60, Berlin 324.

SMITH

800.24/8-648

*The Secretary of State to the Secretary of the Army (Royall)*

SECRET

WASHINGTON, August 23, 1948.

MY DEAR MR. SECRETARY: I have your letter of August 6<sup>1</sup> concerning military assistance programs for various nations. I agree that the imminent submission of requirement estimates for France and other Western European nations makes it desirable that the planning and the necessary administrative steps be undertaken now in order that programs for them may be implemented as speedily as possible after final approval, with the first priority envisaged in NSC 14/1. If this can be done only by giving the requirements of the Western European nations a priority over the programs for the other countries named in your letter, then I agree that such a priority should be given to them.

<sup>1</sup> *Ante*, p. 601.



Since your letter was written, you have undoubtedly received mine of August 9<sup>2</sup> indicating the relative priorities which this Department considers should be accorded the other programs mentioned in your letter. You may take my letter as still representing this Department's views.

I trust that the National Military Establishment is taking the administrative steps necessary to insure that the additional assistance programs anticipated for the implementation of NSC 14/1 can be processed speedily, and that all programs can be carried out without one causing delay to another.

Faithfully yours,

G. C. MARSHALL

<sup>2</sup> Marshall's letter of August 9 read in part as follows:

"An over-all determination of priorities anticipating inter-Departmental agreement is now in process. Pending completion of this study it is my opinion that priorities for existing military assistance programs for the five countries specified in your letter should be in the following order: Greece, Turkey, Iran (present commitments only), China, Argentina. Present commitments to Iran are understood to include the repair, packing and shipment of items already declared surplus and allocated to that country.

Every effort should be made to meet the most urgent Chinese requests under the 125 million dollar grants. In view of the imminent completion of the Iranian program, the foregoing order of priorities accords a high priority to China immediately following that of Greece and Turkey. It is suggested that these high priority projects may be implemented concurrently. I am told that many of the Chinese requirements do not conflict with Greece and Turkey items. Furthermore the progress of the campaign in Greece and season of the year matériel would be delivered in Greece may warrant a decision in favor of China for some items in which a dual requirement exists. In cases of clear conflict with regard to urgently required matériel, preference should be given to Greece and Turkey.

If the Secretary of Defense concurs in these priorities, they may be considered as agreed upon priorities of this Government for these five programs." (800.24/7-2448)

S/S-NSC Files: Lot 63D351: NSC 20 Series

*Report to the National Security Council by the Department of State*

TOP SECRET

WASHINGTON, August 25, 1948.

NSC 20/2

NOTE BY THE EXECUTIVE SECRETARY TO THE NATIONAL SECURITY COUNCIL ON FACTORS AFFECTING THE NATURE OF THE U.S. DEFENSE ARRANGEMENTS IN THE LIGHT OF SOVIET POLICIES

Reference: NSC Action No. 88

The enclosed paper on the above subject, prepared by the Policy Planning Staff of the Department of State [PPS/33, June 23, 1948], is circulated herewith for the information of the National Security Council in connection with NSC 20,<sup>1</sup> "Appraisal of the Degree and Character of Military Preparedness Required by the World Situation".

<sup>1</sup> Of July 12, p. 589.

At the request of the Department of State, the enclosure is being referred to the National Security Council Staff for consideration and the preparation of a report to the Council in accordance with NSC Action No. 88.<sup>2</sup>

SIDNEY W. SOUERS

[Enclosure]

FACTORS AFFECTING THE NATURE OF THE U.S. DEFENSE ARRANGEMENTS  
IN THE LIGHT OF SOVIET POLICIES

The following report is designed to clarify the factors bearing on the question as to the nature which the U.S. defense effort should assume in the light of Soviet policies and attitudes (with particular relation to the question whether U.S. defense preparations should be pointed to meet an expected conflict at a given probable time or whether they should be planned on a basis which could and would be permanently maintained).

The discussion is divided into the following headings:

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The conclusions of this report were arrived at independently before the Staff had seen despatch no. 315 of April 1, 1948<sup>3</sup> from Moscow, transmitting a report on the subject of "Soviet Intentions" prepared by the Joint Intelligence Committee, American Embassy, Moscow. The Staff recommends, however, that the Moscow report also be given most careful attention and be taken into consideration as an important and authoritative document in any decisions involving the questions discussed below.

<sup>2</sup> Action No. 88 provided for the preparation of a report of the nature requested by the Secretary of Defense in NSC 20 (S/S-NSC Files: Lot 66D95: NSC Actions).

<sup>3</sup> For portions of this despatch, see *ante*, pp. 550-557.

A. DEGREE OF PROBABILITY OF MILITARY COMPLICATIONS AT THE  
PRESENT TIME

1. The following factors militate *against* the likelihood at this juncture of international, planned Soviet armed action which would involve this country.

(a) The events of the past two wars have demonstrated that unless a European aggressor can be sure of dealing a decisive blow to the North American military-industrial potential in the initial phase of his effort to dominate the European continent, he can never be sure of final victory.

[The Russians could not be sure of being able to deal such a blow in present circumstances.]<sup>4</sup>

(b) The physical destruction on Soviet territory during the recent war was far more severe than is generally realized in the west, and has not yet been by any means made good by new construction.

[In this connection, we should not be misled by reports that in certain key items the Soviet industrial effort has reached the pre-war level. This does not alter the fact that a huge reconstruction problem still remains and that important sectors of Soviet economy—including particularly transport—are in a state of serious backwardness and obsolescence.]

(c) The war-weariness of the Soviet peoples is as great, if not greater, than in the case of any other of the major countries. This factor has to be seriously considered by the Soviet Government.

(d) In seeking control over foreign territories, Soviet leaders have a strong traditional preference for political means as opposed to direct military action. This preference stems not from moral considerations, but from communist ideology and from Russian national tradition.

[It should be noted that the Russians are traditionally cautious in planning military actions, and the Soviet leaders particularly so. The Finnish War was the only instance in which they have chosen to resort to direct military aggression to gain their objectives and there is every reason to believe that they had cause to regret this experiment.]

(e) Direct military action would not assure to the Soviet Government the type of control which it seeks in the western European countries.

[The Kremlin strives in principle for a maximum of power with a minimum of responsibility. By invading the countries of western Europe and raising the red flag over those territories it would obtain an open responsibility which could not be easily liquidated. This would be certain, as the Russians know from their recent experiences in western Europe, to produce profound antagonisms among the western European peoples which would be a burden to any permanent communist control. It must be remembered that the Russians are interested in long-term political power over the western European countries, not short-term. Military occupation may be good means for assuring short-term domination, but it is not an auspicious beginning to a long-term, permanent control.]

<sup>4</sup> Brackets throughout this document appear in the source text.

(f) It is doubtful whether Red Army morale would stand up well under any action which called for stationing of large numbers of Soviet troops in western European countries for any period of time.

[Even service in the relatively primitive and partially war-torn areas of eastern Europe proved disruptive of morale in most Soviet units at the close of the recent war, and was attended by a disgraceful percentage of desertions. The effect of contact with the highly developed countries of western Europe would be still greater. The Soviet leaders are conscious of this danger.]

(g) The official Russian mind is dominated by the conviction, deeply rooted in communist ideology, that this country is bound sooner or later to suffer another economic depression similar to that of 1929-30. Clearly, such a depression could be expected to have the effect of weakening the U.S. defense establishment, at least temporarily, and of diverting the attention of the U.S. public from world affairs, thus providing a more convenient occasion than the present one, in certain respects, for Soviet expansion.

(h) Similar calculations may arise in the Russian mind with respect to the prospects for a relaxation of U.S. pressure as a result of the coming election. There is strong evidence that the Russians overrate the political prospects of the Wallace movement<sup>5</sup> and the isolationist wing of the Republican Party, and feel that an accretion of strength on the part of either one would be to their advantage.

2. The following factors militate for the likelihood of international, planned Soviet armed action, involving this country, in the immediate forthcoming period.

(a) The Soviet leaders might reckon that their military strength will never again stand in so favorable a relationship to the military strength of the western powers.

[The effects of the recent war left central and western Europe practically devoid of military strength. The period of demobilization and readjustment of our own armed forces meant that their effectiveness has recently been in many respects at an abnormally low ebb. It must now be expected in Moscow that the general tendency in this country in the coming period will be toward the strengthening of our armed establishment, and that a certain revival of armed strength will also take place in western Europe. This expectation must be balanced, however, in the minds of the Soviet leaders, against a planned continued increase in the strength of the Soviet forces, and against the stubborn Soviet conviction that a future economic crisis is sooner or later going to weaken the economic strength of this country.]

(b) The Soviet leaders must recognize that their political plans have already suffered a severe set-back in Europe and that if the European recovery program progresses successfully the growing strength and prosperity of western Europe will put a severe strain on communist political control in eastern Europe. They know that this strain

<sup>5</sup> Henry A. Wallace, Secretary of Agriculture, 1933-1940; Vice President, 1941-1945; Secretary of Commerce, 1945-1946; candidate for President in 1948, advocating a more conciliatory policy toward the Soviet Union.

would hold long-term dangers for Soviet power. If they take a sufficiently serious view of these prospects, they might prefer to resort to armed action at this juncture, in order to prevent recovery in the west and to ensure an immediate extension of communist power in that region, as a means of defending Soviet power in eastern Europe.

(c) The Soviet leaders may calculate that in the present changed circumstances certain further political positions, such as complete control of Berlin or of Vienna, are essential to the political defense of their satellite zone in eastern Europe, and they may feel themselves obliged to strike for the achievement of these objectives regardless of the resulting danger of war.

[In this connection there is always the possibility that the Soviet leaders may miscalculate the determination of this Government and its willingness to resort to force to protect the integrity of existing international agreements.]

(d) It is always possible, although not probable, that internal conflicts and pressures may impel the Soviet Government to attitudes and policies which would carry it in the direction of armed involvement.

(e) The possibility of further military booty may be an incentive to war for a government which has in effect elected to forego, in favor of political projects which now look doubtful, the possible advantages of economic cooperation with the U.S.

### 3. Possible fortuitous circumstances.

(a) Where forces of mutually antagonistic great powers are operating in such close proximity as is the case in Europe with the forces of the Soviet Union and of the western powers, and particularly where the fanatical and relatively unrestrained Soviet police element is so strongly involved, there is always a danger of incidents which, although not so intended, would lead directly to military complications.

### 4. Conclusion:

Weighing these various factors the evidence points to the conclusion that the Soviet Government is not now planning any deliberate armed action of this nature and is still seeking to achieve its aims predominantly by political means, accompanied—of course—by the factor of military intimidation. The tactics which it is employing, however, themselves heighten the danger that military complications may arise from fortuitous causes or from miscalculation. War must therefore be regarded, if not as a probability, at least as a possibility, and one serious enough to be taken account of fully in our military and political planning.

## B. EXTENT TO WHICH SOVIET INTENTIONS ARE APT TO BE INFLUENCED BY SUCCESSFUL DEVELOPMENTS OF THE ATOMIC WEAPON IN THE U.S.S.R.

1. Political factors would be apt to militate against use of the atomic weapon by the Soviet Government against major urban and industrial

areas in other countries, except by way of retaliation for attacks made on Russia.

[The Soviet leaders think in political rather than military terms, and regard themselves as the leaders not only of the Soviet population but of important elements in western countries, particularly in the large cities and industrial areas. Their basic aim is to achieve concealed political domination over those areas, not to destroy them. During the last war, they took little part in the air effort directed against the German population, and have since tried to make political capital with the Germans out of this fact. While this was probably partly a case of making virtue out of necessity, the available evidence speaks for a certain political reluctance on the Soviet side to resort without provocation to methods of mass destruction aimed against civilian elements in other countries.]

2. If the Soviet leaders felt that there would be a strong probability of retaliation, this would be an important factor in dissuading them from taking the initiative in the use of the atomic weapon against western cities.

[Russia has few cities to lose. Only Moscow and Leningrad could conceivably house the highly centralized administrative services of the Soviet Government for any length of time; and they, like all other Soviet cities, are desperately over-crowded. Similarly, Soviet industry is highly vulnerable to air attack by virtue of

(a) the relative concentration of many of its important branches in a few large enterprises;

(b) the great intensity with which existing plant is exploited, and the corresponding lack of reserve strength and flexibility in the event of damage by atomic weapons.

There is no slack in the Soviet economic effort. A relatively small number of atomic bombs could, if properly and effectively directed, set the entire Soviet industrialization program back by years and have an extremely severe effect on any Soviet military effort. This is not to speak of the psychological effect on the Soviet people.]

3. In view of the considerations brought out in point 2, mere possession of atomic weapons will not alone determine Soviet thinking. The Soviet leaders will also have to take into account the head start we have enjoyed in this respect, the respective raw material situations, the probable number of bombs on both sides, the possibilities of delivery, etc.

4. The fact that they have *not* been able to dispose over [*had at their disposal?*] atomic weapons, whereas we have, has probably been, if anything, a contributing factor in Soviet intransigence in the past in matters of the international control of atomic energy and possibly in other matters as well.

[To the Soviet mind it is unthinkable that we, enjoying this factor of military superiority, are not taking it into account in our plans and attempting to exploit it for political purposes. They therefore must assume that our international positions, particularly in matters of the control of atomic energy, are predicated on this superiority and contain a margin of excessive demand, which would not be there if a better balance existed in the power of disposal over the weapon. For this reason, they may actually prove to be more tractable in negotiation when they have gained some measure of power of disposal over the weapon, and no longer feel that they are negotiating at so great a disadvantage.]

#### 5. Conclusion:

It is not probable that the pattern of Soviet intentions as outlined above would be appreciably altered in the direction of greater aggressiveness by the development of the atomic weapon in Russia.

#### C. FUNCTIONS OF THE U.S. ARMED FORCES IN THE LIGHT OF SOVIET ATTITUDES

The following are the requirements, arising from the attitudes and policies of the Soviet Government, for which it is necessary that this Government maintain armed strength.

1. As an indispensable background of our own political attitude with respect to the U.S.S.R. In dealing with a Government so highly centralized, so incorrigibly conspiratorial in its methods, so hostile traditionally towards its world environment, so despotic at home, and so unpredictable in foreign affairs, it is necessary that we keep ourselves in a state of unvacillating mental preparedness. Without military preparedness, this would be a sham.

#### 2. As a deterrent.

This is of outstanding importance. There is no question but that if the opposing strength is estimated to be so great that there would be little possibility of final victory, the Russians will not deliberately resort to the use of armed force. On the other hand, excessive military weakness here and in western Europe might indeed create a factor which would operate to overcome the other reasons why the Soviet Government would not be inclined to use armed force, and might thus constitute a compelling invitation to aggression.

There is no evidence that anything likely to occur in Russia within the foreseeable future will in any way alter this situation. We must reckon that the necessity for the maintenance of armed forces as a deterrent will continue undiminished as long as the Soviet power, as we know it today, continues to be dominant in Russia, and probably even longer.

3. As a source of encouragement to nations endeavoring to resist Soviet political aggression.

The peoples who consider themselves as lying between the U.S.S.R. and the U.S. and who are endeavoring to resist Soviet political pressures are strongly influenced by what may be called the shadows of the armed strength maintained by the two great powers. If the shadow of the Soviet armed strength remains too formidable, in comparison with ours, this may well have a paralyzing effect on the will to resist in western Europe and may become an important factor in enabling the Russians to achieve their aims by political rather than military means. It is therefore necessary for this country to maintain the outward evidences of firm armed strength and resolution as a means of stiffening the attitude of those peoples who would like to resist Soviet political pressures.

Like the requirement of armed force as a deterrent, this requirement may be expected to endure at least as long as the communist party remains the dominant power in Russia. There is no reason to expect the achievement of any political understanding with the Soviet leaders which could appreciably offset the need for strong U.S. forces as a factor of encouragement to the peoples in western Europe. This necessity is not likely to pass even with the termination of the present Soviet regime.

4. As a means of waging war successfully in case war should develop as a result of an accident or miscalculation or any other cause.

It is impossible to state at this time how long the relatively high degree of danger implicit in the present dispositions of Soviet and western forces in Europe will endure or what will be the general development of the probability of planned Soviet military aggression. It is possible, but by no means certain, that within two or three years the danger of military complications arising from accidental causes may be reduced by changes in the dispositions of armed forces in Europe. However, there is no likelihood of any reduction in the general power of Soviet armed forces; on the contrary, this may be expected to increase steadily in the next few years. In view of the long time-lags involved in any basic alterations of a major military establishment, our defense policy cannot take into account minor fluctuations in the degree of danger. From the political standpoint, therefore, the only safe deduction would be that for at least the next five or ten years we will require such an establishment as would make it possible for us to wage war successfully if it should be forced upon us. What would constitute waging war "successfully" is a question which can be answered only in the light of U.S. national objectives.

#### 5. Conclusions:

None of the purposes for which we must maintain armed forces, in the light of Soviet attitudes and policies, are ones which may be expected to undergo any material alteration at any specific predictable



time in the future, and they must all be considered as being of an enduring nature.

D. PROBABLE EFFECTS OF THE RESPECTIVE COURSES UNDER CONSIDERATION

1. A U.S. defense effort founded on the principle of a long-term state of readiness.

(a) This type of effort would have the greatest effect as a deterrent, since it would be evident to the Soviet leaders that they were dealing with a permanent factor on their political horizon and not with a temporary one which they could expect to disappear again within a relatively short time.

(b) This type of effort would have the greatest effect in encouraging countries endeavoring to resist Soviet political pressures. The anxieties of people in western Europe and elsewhere as to the U.S. ability and will to defend them in the event they should become militarily involved with the U.S.S.R. relate in large measure to their doubts as to the stability and long-term consistency of U.S. policy. A U.S. defense effort laid out on long-term lines will be much more apt to reassure them than one aimed at a given peak of probable likelihood of war but subject to later downward fluctuations.

(c) From the standpoint of the possibility of an actual waging of war with Russia, a defense effort laid out on a permanent basis would lack the advantages of being able to meet a particular peak danger by a peak effort in military preparedness; but it would have distinct advantages if military complications were to occur at a time other than that which we had calculated to be the most likely one.

2. A U.S. defense effort founded on the idea of meeting a peak of war danger by a peak of military preparedness.

(a) As a deterrent to the Soviet Union, this type of effort would be effective only for the period toward which it was directed; for the subsequent period it would have the reverse effect. If the Soviet leaders knew that we were undertaking a defense effort of this nature (and it is certain that they would know it), they would be able to plan for maximum military and political pressure at a date when our own military effort might be expected to have subsided.

(b) From the standpoint of encouragement to peoples resisting Soviet pressures, this type of defense effort would have only a limited value. To the extent that it gave the impression that U.S. plans were sporadic and undependable, it might do more harm than good.

(c) From the standpoint of actual waging of war, such a defense effort could conceivably have advantages only in the event that our calculations as to the likely timing of Soviet military aggression were correct. At present, we have no adequate means of arriving at a correct calculation of such a factor. But in any case we must always bear in mind that the defense effort itself would undoubtedly alter the situation on which our expectancy had been based; for it would probably act as an effective deterrent for that particular period and we would probably not be called upon actually to use our forces at the time for which we had planned their maximum strength. This means that there

would be relatively little likelihood of our forces being used for waging of a war against Russia at the moment of their maximum efficiency if they were shaped to meet an anticipated danger peak. We must always bear in mind here the extreme flexibility and patience of Soviet policy.

### 3. Conclusions:

In general, the factors cited above indicate that a U.S. defense policy based on the maintenance of a permanent state of adequate military preparation meets better the requirements of the situation, insofar as these arise out of Soviet policies and attitudes, than a defense effort pointed toward a given estimated peak of war danger.

S/S-NSC Files: Lot 63D351

*Report to the National Security Council by the Executive Secretary  
(Souers)*

TOP SECRET  
NSC 30

WASHINGTON, September 10, 1948.

### UNITED STATES POLICY ON ATOMIC WARFARE<sup>1</sup>

References: NSC Actions Nos. 51, 62 and 75.

The enclosed report on the above subject, prepared by the National Security Council Staff with the advice and assistance of representatives of the Departments of State, the Army, the Navy, and the Air Force, and of the National Security Resources Board and the Central Intelligence Agency, as directed by the Council at its 12th Meeting (NSC Action No. 62), is circulated herewith for consideration by the National Security Council at its next meeting.

SIDNEY W. SOUERS

<sup>1</sup> At its 9th Meeting, April 2, the National Security Council deferred consideration of the question of the employment of atomic weapons in the event of war (NSC Action No. 51: S/S-NSC Files: Lot 66D95). See Secretary of the Army Royall's memorandum on the subject, May 19, p. 572, and Gullion's comments thereon, p. 571.

At its 13th Meeting, June 17, the NSC a) directed the NSC staff to prepare a report on the position of the United States with respect to the initiation of atomic warfare in the event of war, including consideration of the time and circumstances of employment, and the type and character of targets against which it would be employed b) agreed that the War Council is the appropriate agency to study the proper organization within the National Military Establishment and within such other Executive agencies of the Government as may be involved to insure optimum exploitation by the United States of its capabilities of waging atomic warfare. Decision b was subsequently transmitted to the Secretary of Defense for information and appropriate action. (NSC Action No. 62: S/S-NSC Files: Lot 66D95)

At its 14th Meeting, July 1, the NSC a) noted comments by the Secretary of the Army that he felt that the Council should act on this subject as soon as possible b) noted that the Secretary of Defense wished to discuss the subject with the

[Enclosure]

DRAFT REPORT BY THE NATIONAL SECURITY COUNCIL ON UNITED STATES  
POLICY ON ATOMIC WARFARE

References: NSC Actions Nos. 51, 62 and 75

## THE PROBLEM

1. To determine the advisability of formulating, at this time, policies regarding the use of atomic weapons.

## ANALYSIS

2. The decision to employ atomic weapons is a decision of highest policy. The circumstances prevailing when war is joined cannot be

President before the Council took action on it. (NSC Action No. 75: S/S-NSC Files: Lot 66D95)

In a memorandum of July 7 to the Under Secretary of State, Kennan stated the following:

"There is attached a paper placed before the Staff of the National Security Council by the Department of the Air Force, dealing with United States policy on atomic warfare. The conclusions are on the last page of the paper.

I heartily concur with the analysis and conclusions of this paper.

In view of the high security consideration, I have consulted only Mr. Bohlen and Mr. Gullion on this matter. They join me in the recommendation that I be authorized to state, on the Consultants' level, that I approve this paper for submission to the members of the Council, with the insertion of the parenthetic sentence on page 5.

The paper is of such importance that I think the Secretary might wish to see it at this stage."

Lovett's "L" and the Secretary of State's "G.C.M. as amended" appear in the space designated for approval on the source text of the Kennan memorandum (Policy Planning Staff Files). The attached paper from the Department of the Air Force has not been found in the files of the Department of State.

According to *The Forrestal Diaries*, the Secretary of Defense discussed the possible use of atomic weapons in the event of war with Marshall, Royall, and General Omar N. Bradley, Chief of Staff, United States Army, on July 28 (Millis, pp. 461-462). Forrestal also raised the question with the Secretary of State at the conclusion of the Cabinet meeting of September 10. Marshall suggested a meeting with President Truman on September 13. That White House conference was attended by the President; Forrestal; Royall; General Bradley; and General Hoyt S. Vandenberg, Air Force Chief of Staff. President Truman received "the same presentation that Vandenberg made to the Secretary of State last week . . ." on the subject of use of atomic weapons in an emergency. No record of Marshall's briefing by General Vandenberg has been found in the files of the Department of State. Forrestal recalls that "the President said that he prayed that he would never have to make such a decision, but that if it became necessary, no one need have a misgiving but that he would do so . . ." (Millis, p. 487)

A memorandum by Kennan to Carlisle H. Humelsine, Director of the Executive Secretariat of the Department of State, September 14, read as follows:

"With reference to NSC 30 it is recommended that the Secretary express his approval of this paper at the National Security Council meeting on Thursday, September 14, 1948. This paper is substantially the same as the draft which was approved by the Secretary and Under Secretary last July and does not deviate in principle from that draft, the changes being largely minor drafting changes and the addition of paragraphs numbered 12 and 13 under conclusions." (Policy Planning Staff Files)

At its 21st Meeting, September 16, the NSC approved paragraphs 12 and 13 of NSC 30 (NSC Action No. 111). The Council took no further action on the paper. (S/S-NSC Files: Lot 66D95)

wholly forecast with any greater certainty than can the arrival of war. It appears imprudent either to prescribe or to prohibit beforehand the use of any particular weapons when the character of future conflict is subject only to imperfect prediction. In this circumstance, a prescription preceding diagnosis could invite disaster.

3. If war itself cannot be prevented, it appears futile to hope or to suggest that the imposition of limitations on the use of certain military weapons can prevent their use in war.

4. The United States has nothing presently to gain, commensurable with the risk of raising the question, in either a well-defined or an equivocal decision that atomic weapons would be used in the event of war. An advance decision that atomic weapons *will* be used, if necessary, would presumably be of some use to the military planners. Such a decision does not appear essential, however, since the military can and will, in its absence, plan to exploit every capability in the form of men, materials, resources and science this country has to offer.

5. In this matter, public opinion must be recognized as a factor of considerable importance. Deliberation or decision on a subject of this significance, even if clearly affirmative, might have the effect of placing before the American people a moral question of vital security significance at a time when the full security impact of the question had not become apparent. If this decision is to be made by the American people, it should be made in the circumstances of an actual emergency when the principal factors involved are in the forefront of public consideration.

6. Foreign opinion likewise demands consideration. Official discussion respecting the use of atomic weapons would reach the Soviets, who should in fact never be given the slightest reason to believe that the U.S. would even consider not to use atomic weapons against them if necessary. It might take no more than a suggestion of such consideration, perhaps magnified into a doubt, were it planted in the minds of responsible Soviet officials, to provoke exactly that Soviet aggression which it is fundamentally U.S. policy to avert.

7. If Western Europe is to enjoy any feeling of security at the present time, without which there can be no European economic recovery and little hope for a future peaceful and stable world, it is in large degree because the atomic bomb, under American trusteeship, offers the present major counterbalance to the ever-present threat of the Soviet military power. This was recognized by the then Secretary of State, James F. Byrnes, who, in an address before the United Nations General Assembly on December 13, 1946, acknowledged, with the applause of the Assembly, that: "In the recent past, the concern of peace-loving nations has not been that America maintained excessive armaments. The concern has been that America failed to maintain

adequate armaments to guard the peace. . . . It was our military weakness, not our military strength, that encouraged Axis aggression."<sup>2</sup> Were the United States to decide against, or publicly debate the issue of the use of the atomic bomb on moral grounds, this country might gain the praise of the world's radical fringe and would certainly receive the applause of the Soviet bloc, but the United States would be thoroughly condemned by every sound citizen in Western Europe, whose enfeebled security this country would obviously be threatening.

8. Furthermore, consideration must be given to whether any public unilateral decision respecting the use of atomic weapons should be made when the international control of atomic energy is subject to debate within the United Nations. In the "General Conclusions and Recommendations" of the *Third Report of the Atomic Energy Commission to the Security Council*,\* dated 17 May 1948, it is stated:

"The new pattern of international cooperation and the new standards of openness in the dealings of one country with another that are indispensable in the field of atomic energy might, in practice, pave the way for international cooperation in broader fields, for the control of other weapons of mass destruction, and even for the elimination of war itself as an instrument of national policy.

"However, in the field of atomic energy, the majority of the Commission has been unable to secure the agreement of the Soviet Union to even those elements of effective control considered essential from the technical point of view, let alone their acceptance of the nature and extent of participation in the world community required of all nations in this field by the first and second reports of the Atomic Energy Commission. As a result, the Commission has been forced to recognize that agreement on effective measures for the control of atomic energy is itself dependent on cooperation in broader fields of policy."<sup>†</sup> (The Commission concluded that no useful purpose can be served by carrying on negotiations at the Commission level.)

9. International cooperation in "broader fields of policy" has been woefully and dangerously lacking on the part of the Soviet Union and its satellites. Any attempt now or in the future under these circumstances, to prohibit or negatively to qualify the employment of atomic bombs could result catastrophically. The measure of success achieved by the United States in collaboration with other nations in the establishment of an effective system of international control of atomic en-

<sup>2</sup> For full text of Secretary Byrnes' address, see United Nations, *Official Records of the General Assembly, First Session, Second Part, Plenary Meetings*, p. 1289.

\*Document AEC/31 [Footnote in the original.] The report is published as United Nations, *Official Records of the Atomic Energy Commission, Third Year, Special Supplement, The Third Report of the Atomic Energy Commission to the Security Council, May 17, 1948*, or Department of State Publication 3179 (July 1948).

<sup>†</sup>Underlining supplied for emphasis. [Footnote in the source text.]

ergy should directly determine the measure of control the United States will impose upon itself in the employment of atomic weapons. Until international agreement can be reached on an acceptable plan to control atomic energy (only the Soviet Union, Poland and the Ukrainian S.S.R. have blocked the attainment of this goal), it is dangerously delusive to consider the self-imposition of any unilateral qualifications of the use of atomic weapons.

10. The United States has offered, along with all other nations, to eliminate atomic weapons from national armaments if and when a fully effective, enforceable system of international control is put into effect. In the meantime United States policy should ensure that no commitment be made in the absence of an established and acceptable system of international control of atomic energy which would deny this country the right to employ such weapons in the event of actual hostilities. The actual decision to employ weapons should be made by the Chief Executive and in the light of prevailing circumstances.

11. The time and circumstances under which atomic weapons might be employed are incapable of accurate determination prior to the evident imminence of hostilities. The type and character of targets against which atomic weapons might be used is primarily a function of military selection in the preparation and planning of grand strategy. In this case, however, there is the additional requirement for blending a political with a military responsibility in order to assure that the conduct of war, to the maximum extent practicable, advances the fundamental and lasting aims of U.S. policy.

#### CONCLUSIONS

12. It is recognized that, in the event of hostilities, the National Military Establishment must be ready to utilize promptly and effectively all appropriate means available, including atomic weapons, in the interest of national security and must therefore plan accordingly.

13. The decision as to the employment of atomic weapons in the event of war is to be made by the Chief Executive when he considers such decision to be required.

14. In the light of the foregoing, no action should be taken at the present time:

a. To obtain a decision either to use or not to use atomic weapons in any possible future conflict;

b. To obtain a decision as to the time and circumstances under which atomic weapons might or might not be employed.

S/S-NSC Files : Lot 63D351 : NSC 30 Series

*Memorandum by the Director of the Office of European Affairs  
(Hickerson) to the Under Secretary of State (Lovett)*<sup>1</sup>

TOP SECRET

[WASHINGTON,] September 14, 1948.

Subject: NSC 30<sup>2</sup>

The conclusion of this paper that no action should now be taken to obtain a decision whether or not to use atomic weapons in any possible future conflict appears to be completely sound. I also agree that we should not now attempt to reach a final decision as to the time and circumstances under which atomic weapons might or might not be employed. It seems to me, however, that it would be extremely useful at least to study the pros and cons involved and to have information readily available upon which to base immediate recommendations to the President in the event of war. The following considerations seem pertinent:

1. I understand it is the contention of the Air Forcés that if such weapons are to be employed it is almost essential that they be used in the opening stages of any conflict. Clearly, we need now only to consider the Soviet Union as a potential enemy. If in the event of war the enemy is given time to perfect his fighter defense and radar nets atomic bombing operations will be made more difficult. Even more important some of our best air bases might be overrun or captured by Air Borne troops. In these circumstances, unless there is much advanced planning, there appears to be danger that a decision might be taken by the President or the Cabinet on a very few hours' notice without full consideration of all the factors involved, as the pressure would undoubtedly be very great.

2. Not only military planning is involved in this decision. Plans for psychological warfare should be worked out to cover both alternatives. In the event of war, the Russians would certainly again take up the radio sets of their citizens. We might, however, have a few hours or even days before such action could be completed and it would be essential that we take advantage of this period to inform the Russian and satellite peoples of our policy with respect to atomic warfare.

3. While it is clear that there should be no public debate on this matter at this time, I see no reason why plans should not be carried out for the use of atomic weapons, in the event such a decision were made, and I believe careful study should be prepared of the advantages and disadvantages of their use. For the reason set forth in the NSC paper,

<sup>1</sup> Drafted by Llewellyn E. Thompson, Deputy Director of the Office of European Affairs.

<sup>2</sup> Of September 10, p. 624.

however, such studies should be handled on a top secret basis by as limited a group as possible. Such a group however should contain persons competent to judge psychological reactions of the Russian people.

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S/S-NSC Files : Lot 63D351 : NSC 30 Series

*Memorandum by the Assistant Secretary of State for Public Affairs  
(Allen)*<sup>1</sup>

TOP SECRET

[WASHINGTON,] September 14, 1948.

From the point of view of psychological warfare, I concur fully in the views of EUR and the NSC/30 paper. I might add that public opinion in the United States may have an important bearing on the question and might force the use of atomic weapons, even if the chief executive were inclined against it. The public would refuse to accept American casualties which might be saved by shortening the war.

GEO. ALLEN

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<sup>1</sup> Directed to James Q. Reber of the Executive Secretariat, Department of State.

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S/S-NSC Files : Lot 63D351 : NSC 30 Series

*Memorandum by the Director of the Office of Far Eastern Affairs  
(Butterworth)*<sup>1</sup>

TOP SECRET

[WASHINGTON,] September 15, 1948.

Subject: NSC Paper no. 30 on U.S. Policy on Atomic Warfare

This paper reached FE only a few hours before the deadline set for receiving recommendations and comments. I have therefore been able to give the paper only a brief and cursory examination.

The paper poses the problem whether at this time we should determine policies regarding the use of atomic weapons. The conclusions reached are that full preparation should be made for the prompt utilization of atomic weapons but that no action should be taken now to obtain a decision either to use or not to use atomic weapons or as to the time and circumstances governing possible use of such weapons.

While apparently taking no decision on the question whether or not atomic weapons should be used, as a practical matter the paper would in large part foreclose the issue. The National Military Establishment, in making its plans, will have to proceed on the basis that atomic weapons are to be used. If war of major proportions breaks out, the Military Establishment will have little alternative but to rec-

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<sup>1</sup> Directed to James Q. Reber of the Executive Secretariat, Department of State.



commend to the Chief Executive that atomic weapons be used, and he will have no alternative but to go along. Thus, in effect, the paper actually decides the issue.

To my mind, the question to be decided is not whether we should or should not use atomic weapons, for in the absence of any internationally-accepted system of supervision and control of such weapons we must assume that they will be used. The question is rather when and how such weapons should be used. Should we, for example, in the event of war, begin by bombing major centers of population in enemy territory or start with smaller centers important for transportation or specific industries? This question should be answered not so much on the basis of humanitarian principles as from a practical weighing of the long-run advantage to this country. Depending upon conditions in the enemy country, the bombing of major population centers or centers having special sentimental significance might mobilize popular sentiment for resistance in a manner to prolong the war. Similarly, should we bomb the territory of enemy allies—especially unwilling enemy allies—and territory occupied by the enemy?

A suggestion that political as well as strategic issues may be involved is contained in the last sentence of paragraph 11. I wonder if it would not be helpful to our National Military Establishment if this thought were more fully developed and guide lines—if any are possible—laid out for aid in strategic planning.

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Department of State Atomic Energy Files

*Memorandum by the Counselor (Bohlen) to the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] September 17, 1948.

Subject: Meeting in Secretary Symington's office regarding interchange of information with Britain and Canada.

I attended as you requested the meeting in Secretary Symington's office at 10:30 this morning concerning the handling of technological exchanges with the British and Canadians.

The first part of the meeting was taken up with the discussion between Dr. Bush<sup>1</sup> and the Service representatives from which it developed that Bush was very dissatisfied with the way the present set-up was looking and he said there was considerable irritation on the part of his opposite members in Great Britain and Canada. He read a despatch from the Embassy in London in which the British head of their Scientific Research and Development Board complained

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<sup>1</sup> Vannevar Bush, Chairman of the Research and Development Board.

at the way the system is working. The Service Departments maintained the opposite and emphasized the security aspect. The Service Departments proposed that the present SANACC set-up<sup>2</sup> should be maintained with the addition of a representative from the NRDB, but Dr. Bush said he did not think that would be satisfactory, and said he did not quite see why State was especially interested since the policy was clear and it was only the implementation he had in mind.

I pointed out that while we were in favor of a liberal policy in regard to exchange for the general reason involving relations with the British and Canadians, we were of course not competent to decide on the degree of security risk involved in any given process for information; that that was a matter for the Service Departments to pass upon. However, I said I thought that there was the element of what might be called "political security" involved in the various countries concerned and that this sometimes varied depending upon what branches of a foreign government did receive classified technological information, citing in this case the matter of the jet planes<sup>3</sup> and the difference between the War Office and the Admiralty on the one hand, and the civilian ministers of supply and aircraft production on the other. I further pointed out that the political relations of the receiving country such as Great Britain with other European countries had to be taken into consideration. I also pointed out that these matters were under constant change as the political situation altered abroad and that, therefore, the implementation of these policies should be kept under constant review in connection with the considerations I had mentioned.

Dr. Bush said he had not thought of that aspect of the matter and was impressed by it. He thereupon abandoned his original position that State should not be represented on the Committee to handle implementation and in effect agreed that some modification of the present SANACC set-up to include NRDB representation should be satisfactory.

The meeting thus ended in agreement and Mr. Ohly<sup>4</sup> was asked to work out the necessary changes in present SANACC procedure on this subject to take care of Dr. Bush's desire as modified and to submit them to the interested Departments for consideration.

I therefore imagine you will be receiving very shortly recommendations for this revised SANACC procedure.

CHARLES E. BOHLEN

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<sup>2</sup> Reference is to the State-Army-Navy-Air Force Coordinating Committee's Subcommittee for Information Control (MIC).

<sup>3</sup> Reference is to the possible sale of jet aircraft and engines by the United Kingdom to the Soviet Union.

<sup>4</sup> John H. Ohly, Special Assistant to the Secretary of Defense.

*Editorial Note*

The Third Session of the United Nations General Assembly convened in Paris on September 21. For the record of the address by Secretary of State Marshall, Chairman of the United States Delegation, on September 23 during the general debate phase of proceedings, see United Nations, *Official Records of the General Assembly, Third Session, Part I, Plenary Meetings*, page 36; for full text, see Department of State *Bulletin*, October 3, 1948, page 432.

The Paris General Assembly is described as follows in *United States Participation in the United Nations* (Report by the President to the Congress for the Year 1948), Department of State Publication 3437, page 5:

"The work of the Session in the political field was conditioned largely by the continuing differences between the Soviet Union and the other Members. In all the important political questions considered except that of Palestine, i.e. the questions of atomic energy, the reduction and regulation of conventional armaments, Greece, Korea, the veto, membership in the United Nations, and the Interim Committee, the issues were sharply drawn between Soviet and non-Soviet views. Consideration of these questions—particularly those of atomic energy, reduction of conventional armaments, and the Greek question—led to debates on foreign policies generally and on the broad issues separating the Soviet Union from other countries.

Concern was manifested by many of the delegations from smaller countries over the serious differences among the great powers reflected in Assembly debates and in the Berlin case, which was then under consideration by the Security Council. A resolution proposed by Mexico, calling upon the major allied powers to compose their differences and to reach as quickly as possible the agreements necessary to liquidate the results of the war and establish peace, was adopted by the Assembly."

Documentation on General Assembly consideration of the issues mentioned above is included in the following *Foreign Relations* compilations: regulation of armaments and collective security, Part 1 of General Assembly, volume VI, pages 1079 ff.; interest of the United Nations, volume IV, pages 222 ff.; general political policies of the United States toward Korea and the appeal to the United Nations General Assembly, volume VI, pages 1079 ff.; interest of the United States in increasing the effectiveness of the United Nations: the Interim Committee and the question of voting in the Security Council, Part 1 of this volume, pages 205 ff.; United States policy regarding the question of admittance of new members into the United Nations, *ibid.*, pages 173 ff.; the Berlin crisis, volume II, pages 867 ff.; and the United States position regarding proposals for a General Assembly appeal to the Great Powers to renew their efforts to compose their

differences and establish a lasting peace, Part 1 of this volume, pages 89 ff.

800.24/9-2948

*The Acting Secretary of State to the Director of the Bureau of the Budget (Webb)*

TOP SECRET

WASHINGTON, September 29, 1948.

MY DEAR MR. WEBB: This refers to your letter of August 10, 1948,<sup>1</sup> in which you stated that the Bureau of the Budget is prepared to consider requests for care and handling allocations, supported by the necessary justifications, for the Iranian program.

Your letter also referred to the general problem of treatment of foreign military assistance programs, particularly in connection with the basic factor of availabilities in the light of our own expanded military program, and enclosed a copy of your letter of the same date to the Secretary of Defense,<sup>1</sup> which noted the question of priorities as between foreign nations and as between our own and foreign requirements, recognizing that strategic and foreign policy considerations are involved, and suggested several type questions pertinent to an examination of the subject of availabilities.

I am in complete agreement that the solution of foreign military assistance problems should be undertaken from the overall viewpoint, with the connotations emphasized in your letter. The necessity for balancing availabilities with strategic and national policy considerations has guided the formulation of Department of State policies in these matters, and has been stressed in discussions with the Departments of the National Military Establishment concerning projects for military aid abroad.

A SANACC study concerning priorities for military aid<sup>2</sup> has been completed and is now in the hands of the Joint Chiefs of Staff to whom it was referred for comment from a military point of view prior to SANACC action. The following excerpt from the Conclusions of this paper is pertinent to the questions raised in your letter:

"The needs of the National Military Establishment should be accorded continuing highest priority. Therefore, an essential step in reaching decisions as to projected military aid for any country should be an evaluation by the Joint Chiefs of Staff of that project with reference to materiel requirements and operations of the National Military Establishment."

<sup>1</sup> Not printed.

<sup>2</sup> Reference is to SANACC 360/11, approved by the State-Army-Navy-Air Force Coordinating Committee on March 15, 1949, as amended.

This study, developed over a period of months by representatives of the Department of State and the Service Departments reaches definite conclusions as to priorities for United States military assistance to foreign countries.

You are doubtless aware of other policy documents concerned with military assistance problems. I may cite SANACC 360/5<sup>3</sup> which deals with the question of continuing support of military aid programs (the maintenance and furnishing of replacement items), and has been approved for appropriate implementation by the Department of State and the Departments of the National Military Establishment. Para. 4 *c* of the Conclusions of this paper is quoted:

"The size and cost (present and continued) of a military assistance program should be carefully studied *in relation to its economic feasibility to avoid an unremunerative dissipation of U. S. resources*, excessive foreign commitments or contributing to an undue burden upon a friendly nation." (Emphasis added)

SANACC 382/6<sup>4</sup> is likewise in point. It establishes policy criteria in cases of transfer of military supplies abroad when in the interest of the United States, and refers to the factors of availability and the effect of such transfers on our economy.

The Department of State is guided in these problems by the controlling statement of policy in the report of the National Security Council, NSC 14/1,<sup>5</sup> approved by the President July 10, 1948. This study lays down covering considerations to safeguard the minimum materiel requirements of the United States services as determined by the Joint Chiefs, and embodies an important general priority statement which, so far as I am aware, is the only overall military assistance priority directive yet considered and approved by the President.

The paper includes a recommendation for essential legislation to broaden the executive authority with respect to providing military assistance to foreign nations.

It is noted that, in addition, certain current National Security Council studies and reports, approved by the President, concern the military assistance problems of specific foreign areas or nations (e.g. NSC 8,<sup>6</sup> NSC 28,<sup>7</sup> NSC 31<sup>8</sup>). In connection with the implementation of NSC 8, very thorough study of the strategic requirements of the National Military Establishment in the theatre concerned is being made. NSC 28/1,

<sup>3</sup> July 26, p. 597.

<sup>4</sup> June 18, p. 577.

<sup>5</sup> July 1, p. 585.

<sup>6</sup> For text of NSC 8, The Position of the U.S. with Respect to Korea, April 2, 1948, see vol. VI, p. 1163.

<sup>7</sup> NSC 28, The Position of the U.S. with Respect to Scandinavia, August 26, 1948, is not printed; for the conclusions of NSC 28/1, September 3 (NSC 28 as amended), see vol. III, p. 232.

<sup>8</sup> For text of NSC 31, Equipment for Three French Divisions, September 14, 1948, see *ibid.*, p. 648.

while approving the present furnishing of small amounts of equipment to Norway or Denmark, requires that further provision of military assistance in the Scandinavian area be contingent upon participation in regional agreements as contemplated in the Vandenberg resolution, as well as consistent with availabilities and subject to the priorities established by NSC 14/1. NSC 31 is in effect an implementation of para. 13 of NSC 14/1.

Your letter notes the importance of availability studies. It has been brought to my attention that under Army directives of last April and May (letter AGO, Subject: Disposition of Excess Supplies and Return of Supplies to the Zone of Interior, dated 22 April 1948, and letter, Chief of Ordnance, Subject: Ordnance Items Required in the Zone of the Interior, dated 7 May 1948) effective measures have been taken to secure up-to-date data on the location and availabilities of Army ordnance stocks. I am informed that these directives were issued with a view to auditing and supplying our own needs and to determining, in some measure at least, availabilities for foreign requirements.

In June, 1948, a regular procedure was established in this Department covering policy determination in cases of foreign military assistance proposals, and providing for coordination with the services in the implementation of approved projects. The views of the services were and are invariably secured and thoroughly considered with reference to policy advisability in each instance.

The concerned offices of this Department and of the National Military Establishment are now studying the procedural requirements involved, in the light of experience with military assistance proposals to date, and appear to be in general preliminary agreement, both as to policy factors and as to implementation of approved projects by an inter-departmental executive group.

Sincerely yours,

ROBERT A. LOVETT

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S/S Files: Lot 63H351: NSC 33 Series

*Report to the National Security Council by the Chairman of the  
National Security Resources Board (Hill)*

TOP SECRET  
NSC 33

WASHINGTON, October 13, 1948.

NOTE BY THE EXECUTIVE SECRETARY ON OUTLINE OF BASIC UNITED STATES SECURITY RESOURCES ASSUMPTIONS, 1948 THROUGH 1952, AND 1953 THROUGH 1965

The attached memorandum by the Chairman, National Security Resources Board, together with its two enclosures<sup>1</sup> is submitted here-

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<sup>1</sup> The enclosures to the annex (two outlines) are not printed.

with for consideration by the National Security Council and for discussion at its next regular meeting of the proposal by the Chairman, National Security Resources Board, "that the National Security Council assume the responsibility for developing integrated basic security resources assumptions and that after their development, the President be advised of their contents and informed that they will be subject to periodic review and revision".<sup>2</sup>

SIDNEY W. SOUERS

[Annex]

*The Chairman of the National Security Resources Board (Hill) to the Executive Secretary of the National Security Council (Souers)*

[WASHINGTON,] October 12, 1948.

MY DEAR ADMIRAL SOUERS: During the past several months, considerable effort has been devoted to determining the best means of securing integrated basic security resources assumptions for mobilization planning in the politico-military and in the domestic and foreign economic fields. Such basic security resources assumptions constitute a prerequisite for the National Security Resources Board's mobilization planning. Urgency in this matter stems from the generally accepted assumption that there will be a continuation of the present uncertainties of neither war nor peace, and war with the USSR, if not a probability, is a definite risk. Predicated upon such an assumption, this Board is currently engaged in the preparation of an Emergency Mobilization Plan for 1949, to be completed by December of this year.

The broad comprehensive judgment and knowledge essential to the preparation of integrated assumptions with their complex and inter-related facets, does not appear to be within the capabilities of any single governmental agency. However, using the competence of all appropriate agencies, under carefully conceived sponsorship and monitorship, I believe the assembling of basic security resources assumptions can be accomplished and should be attempted. It must, however, be a continuing operation subject to periodic review and

<sup>2</sup> In accordance with discussion at the 25th Meeting of the National Security Council, October 21, 1948, Souers directed a memorandum to Arthur M. Hill, Chairman of the National Security Resources Board, informing him that "the National Security Council notes the importance of obtaining basic national security resources assumptions for mobilization planning; that the member Departments of the National Security Council and the Central Intelligence Agency will be glad to assist the National Security Resources Board in the latter's responsibilities in connection with the program outlined, and that, if appropriate, the National Security Council will consider and concur in any statement of assumptions prepared by the National Security Resources Board and its member departments and agencies, but that the National Security Resources Board itself should sponsor and monitor the program outlined in NSC 33." (S/S Files: Lot 63D351: NSC 33 Series)

revision and closely attuned to the constantly changing pattern of national and international events.

In exploring the means of best formulating basic security resources assumptions, there have been informal discussions with several of the agencies concerned. As a result of these discussions, the attached outlines have been developed on the basis that: The National Security Council could monitor the politico-military assumptions; the National Security Resources Board could monitor the economic assumptions; and, the National Security Council could provide the overall sponsorship and monitorship required for integration.

Formulation of assumptions within the exact framework of the enclosed outlines is neither intended nor implied. These outlines have been developed only as a tentative framework, within which assumptions would be valuable. Amplification, supporting comment, and elaboration are believed essential. It is particularly desirable for mobilization planning purposes that U.S. objectives or positions, where appropriate, and known facts and estimated factors in the various fields, be clearly stated as a point of departure for assumptions.

Actually, the NSC 20 series will provide the basis for many of the answers required. Also, the recently completed Joint Chiefs of Staff strategic plan—part of which has been made available to me—should be helpful in providing a basis for answers in the military field. This Board, with the assistance of the several departments represented thereon, together with the Council of Economic Advisers, the Economic Cooperation Administration, and the Bureau of the Budget, can provide the domestic and foreign economic portions of the outlines.

I therefore propose that the National Security Council assume the responsibility for developing integrated basic security resources assumptions and that after their development, the President be advised of their contents and informed that they will be subject to periodic review and revision.

Sincerely yours,

ARTHUR M. HILL

761.00/10-1348: Circular instruction

*The Acting Secretary of State to Certain Diplomatic and Consular Offices*<sup>1</sup>

SECRET

WASHINGTON, October 13, 1948.

#### PATTERN OF SOVIET POLICY IN FAR EAST AND SOUTHEAST ASIA

SIRS: The Department refers to London's telegram No. 2778 of June 23, 1948,<sup>2</sup> requesting an indication of the Department's thinking

<sup>1</sup> Sent to London, Moscow, Nanking, Shanghai, Singapore, Bangkok, Saigon, Rangoon, Seoul, Tokyo.

<sup>2</sup> Not printed.



with respect to the pattern of Soviet policy in the Far East and South-east Asia, and to Moscow's telegrams No. 3310 of December 2, 1947 (repeated to London as 363)<sup>3</sup> and No. 1214 of June 30, 1948 (to London as 74)<sup>4</sup> on this same subject.

The matter has been given careful consideration by the political and research divisions dealing with the areas mentioned and the memorandum enclosed with this instruction presents their current views in this connection.

Although treated in more detail, the analysis of Soviet policy in the enclosed memorandum corresponds in general to that contained in the telegrams of the Embassy at Moscow referred to above. The major point of difference concerns opinion as to whether or not Soviet policy envisages active support of the Chinese Communists in attaining their object of domination of all China in the face of the risk that a Communist regime in China might present a "Tito"<sup>5</sup> problem by rejecting Moscow's authority.<sup>6</sup> As a corollary, the question arises as to whether or not the Soviets might be reluctant to foster the expansion of Chinese Communist influence in Southeast Asia for the same reason. In brief, although citing the risk, the Embassy in Moscow feels that active support of the Chinese Communists along these lines is still a cardinal factor in Soviet policy, whereas the Department is inclined to give more weight to the disturbing effect of Tito's recalcitrance to the confidence of the Soviet leaders in their ability to control a Communist regime ruling all China.

A factor favoring the U.S.S.R. not mentioned by the Embassy in Moscow is the potential exploitation by the Soviets of their domination of areas in Northeast Asia upon which Japan is, to a large extent, economically dependent in the long run.

The attached memorandum should be useful (*to London only*) as background material for discussion of this subject with appropriate officials of the Foreign Office. Any significant divergence of opinion either on their part or on that of the Embassy in London should, of course, be reported.

This instruction is being sent to London, Moscow, Nanking, Shanghai, Singapore, Bangkok, Saigon, Rangoon, Seoul, and Tokyo for comment.

Very truly yours,

For the Acting Secretary of State:

JOHN D. HICKERSON

*Director for European Affairs*

<sup>3</sup> Not printed.

<sup>4</sup> *Ante*, p. 583.

<sup>5</sup> Josip Broz-Tito, Prime Minister and Minister of Defense of the Federated People's Republic of Yugoslavia.

<sup>6</sup> For documentation on the interest of the United States in the dispute between Yugoslavia and the Communist Information Bureau, see vol. iv, pp. 1054 ff.

[Enclosure]

*Memorandum Prepared in the Department of State*

## BASIC FACTORS IN SOVIET FAR EASTERN POLICY

In the Far East and Southeast Asia, the USSR pictures itself as engaged in a struggle with the US, each country striving to extend its influence throughout the area and to restrict the advance of the other and in so doing to take advantage of the following basic factors:

- (1) The defeat of Japan, which created a power vacuum in the Far East;
- (2) The struggle between the Kuomintang and the Chinese Communists for control of China;
- (3) The decline in the influence of the colonial powers in Southeast Asia and India.

From the Soviet viewpoint, factors favoring the US, which Soviet policy will endeavor to counteract or neutralize, are:

- (1) American domination of Japan and South Korea;
- (2) American economic strength which enables the US to aid Kuomintang China;
- (3) The development by the US of strategic bases in the Far East.

Factors favoring the USSR, which Soviet policy will attempt to develop and exploit are:

- (1) Soviet acquisition of the Kurile Islands and Southern Sakhalin and occupation of North Korea;
- (2) Special privileges for the USSR in Manchuria growing out of the Yalta Agreement and given legal basis by the Sino-Soviet Treaty of August 1945;
- (3) The strength of the Chinese Communist Party;
- (4) The organized drive of colonial peoples for independence from political domination by the European metropolitan powers;
- (5) Differences among FEC powers on policies to be pursued in Japan.

*Japan*

The defeat of Japan and the elimination of the threat of Japanese aggression from Northeast Asia together with the postwar territorial gains and special privileges secured by the USSR in this area would be considered by Moscow as at best a partial victory if Japan were to re-emerge as a strong power with or without the backing of any third power. To counteract this possibility the Soviet Union will continue its attempts not only to strengthen the Soviet Far East but to increase its influence and control in the adjacent areas of Manchuria and Korea as well as the penetration of Japan itself by means of the Communist

Party. But so long as the US exercises control of Japan, the USSR is largely restricted to the employment of only such indirect measures as the encouragement of left-wing elements in Japan, the indoctrination of Soviet-held Japanese prisoners of war, the development of Soviet-Japanese cultural relations, and the limited restrictive powers available through Soviet participation in the Far Eastern Commission and the Allied Council. Soviet propaganda will continue its endeavors to exploit among other Asiatic nations fears of renewed Japanese aggression and economic competition in the hope thereby to enlist support for its attacks on American occupation policy.

The USSR would like to see the American-dominated occupation of Japan brought to an early conclusion but probably would not be party to any peace settlement which left the US in an overly advantageous position in Japan. Furthermore, the Soviets may find it to their advantage to remain outside any peace settlement for, by so doing, it could retain a belligerent status with Japan, postponing indefinitely the implementation of certain provisions of the Sino-Soviet treaty on Dairen, Port Arthur and the Chinese Changchun railway; exploit differences among the Allies on post-treaty control of Japan; and refuse to cooperate with any action taken by the future control authority over Japan.

The interest that the USSR has already evinced in trade with Japan assumes added importance from the fact that Manchuria, North China, and Korea, upon which Japan formerly depended for much of its trade, are likely to come under indirect Soviet control. This situation might enable the USSR to tie Japan economically to the Soviet Far East, a development that would have obvious political implications.

### *Korea*

In view of Korea's strategic value to the USSR, Moscow will be extremely reluctant to withdraw until satisfied that Korea will be united under a government with an attitude fundamentally friendly toward the Soviet Union. Hence, the USSR will continue to resist all efforts to unite Korea on any but a pro-Soviet basis and if necessary will not hesitate to recognize its North Korean puppet regime or to continue its occupation in some form or other in order to keep the northern zone within the Soviet sphere. The USSR may hope that in the event of American troop withdrawal from South Korea, the superior organization and military strength of the northern regime plus Communist domination of adjacent Manchuria and the proximity of the Soviet Union proper will eventually force South Korea, however reluctantly, into the Soviet orbit. For this reason, Moscow will continue to advocate an immediate withdrawal of all occupation forces.

*China*

Soviet policy in China is directed against the emergence of a strong, unified China—particularly if such a China were not Communist-dominated—and toward the establishment of Soviet hegemony in Manchuria and Sinkiang, and possibly Inner Mongolia and the extension of Soviet influence throughout China through the medium of the Chinese Communist Party. So long as the present civil war continues and the Chinese National Government has little prospect of victory, the USSR can afford to continue its policy of “non-intervention” in Chinese affairs. Should the present balance of forces in China swing in favor of the National Government, the USSR would probably attempt to furnish sufficient support to the Chinese Communists to redress that balance. Should the Chinese Communist forces assume a decisive ascendancy in the civil war and move through their own efforts toward the control of all China, the minimum general aims of the USSR vis-à-vis China would seem to be fulfilled in as much as the Chinese Communists would be expected to take no action or adopt no policy in the international field which would be contrary to Soviet interests. The USSR may be expected to continue its efforts towards encouragement of movements directed toward the separation from Chinese control of peripheral areas, such as Sinkiang and Inner Mongolia. Failure of the Chinese Communists to oppose or at least take a stand against such Soviet encroachments would be harmful to the Chinese Communist movement in China in view of the strength of the forces of nationalism in China and this circumstance might serve to slacken the pace of Soviet efforts to detach peripheral areas from a Communist-dominated China. Although the Soviet position in Manchuria is legally assured through the provisions of the Sino-Soviet Treaty of August 1945, which give to the USSR the use of Port Arthur as a naval base, special rights in Dairen and joint administration with China of the main trunk railway lines, ultimate Soviet objectives in Manchuria probably look toward the establishment of a Communist regime which will be, in fact, answerable to Moscow and not to a national government of China, even though it is Communist-dominated. However the Chinese Communists may regard the Soviet legal position in Manchuria, they may be expected to accept it and justify it by pointing to the Yalta Agreement and the Sino-Soviet Treaty, in neither of which they participated. Recent Soviet interest in mediation of the civil war in China probably arises from a belief that such mediation constitutes, under present conditions, the most effective means for advancing the cause of the Chinese Communist Party and at the same time embarrassing the United States. Probably the USSR and the CCP reason that, in view of the greatly weakened bargaining position of the present National Government, mediation

by the USSR would secure to the Chinese Communists a dominant position which could later be exploited by proven Communist methods to eliminate opposition. It is possible, however, that Soviet overtures with respect to mediation arise from a desire to preserve some kind of balance in China and thus prevent the emergence of a unified nation. In this the Soviets may be governed by a fear of increasing National Government strength resulting from the U.S. aid program or, conversely, by apprehension that the Chinese Communists might become sufficiently strong to emulate Tito in defying Moscow's authority.

#### *Southeast Asia*

Soviet policy in the various countries of Southeast Asia has but a single goal, to substitute the influence of the USSR for that of the western powers in such manner and degree as to ensure Soviet control being as surely installed and predominate as in the satellite countries behind the Iron Curtain. That policy is manifested in both covert and overt activity and its implementation is along definite lines: (1) weakening of the ties between areas which now are or recently were colonies and their metropolitan powers through the encouragement of nationalism and by capitalizing on the discontent caused by long periods of "colonial oppression," and (2) disrupting the economy of the areas still under colonial control by armed action or by labor disorders so that the metropolitan powers will be deprived of revenue and resources and the USSR will be able to fish profitably in the troubled waters of economic chaos.

In logical sequence the Soviet policy is formulated to encourage nationalist aspirations by overlooking no opportunity to denounce the western powers as exploiters of native peoples, to lessen the ability of the western powers to resist realization of those aspirations by making the cost in Southeast Asia and at home too great a price, and to seize control of the nationalist movements by organized militant methods which include eventual elimination of truly nationalist leaders. In all this, up to the final denouement, Moscow will move with circumspection in order to prevent any awakening of latent suspicions as to its motives.

Hitherto, implementation has been chiefly by indirection and Moscow appears to have relied almost exclusively upon Chinese Communist guidance of Southeast Asian Communist movements. In this Moscow was assisted by the fact that large Chinese communities exist in every country of Southeast Asia and that a substantial number of these Chinese are Communists and, more fortuitously for Moscow, in control of influential labor unions. The nationalist movement in Indochina is led by Communists who appear to be steadily consolidating their control due to the French failure to satisfy the basic demands

of the Vietnamese people. The military power of the elements resisting the French has steadily improved over the past three years. In Indonesia, a Communist offensive has recently been launched. Strengthened by amalgamation with other left-wing parties, the Communists under Muso (an Indonesian recently returned from Moscow) have seized control of the city of Madiun, in central Java, and declared the formation of a Soviet Government. Communist-inspired outbreaks have also taken place in Surakarta, also in central Java, and reportedly in some areas of Sumatra. The Republican Government has announced that it will take all steps to restore its authority.

But Moscow could not permit direction by indirection to continue indefinitely and the recently established Soviet Legation in Bangkok, with numerous Russian personnel, is undoubtedly taking an increasingly greater part of the direction of Soviet policy implementation into its own capable hands. Through direct contact Moscow probably hopes to bring about greater control of the Communist elements in the countries of Southeast Asia and to create new diplomatic and trade relations, all of which will provide channels of typical Communist infiltration.

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811.20/10-3148

*The Secretary of Defense (Forrestal) to the Secretary of State*<sup>1</sup>

TOP SECRET

WASHINGTON, October 31, 1948.

MY DEAR MR. SECRETARY: As you know, we have been engaged for a number of months in the preparation of a statement of forces on which to base a military budget for fiscal 1950.<sup>2</sup>

At the risk of over-simplification, I would say that we have two basic problems with respect to the size of the military establishment: One is the problem with which the Joint Chiefs of Staff have been dealing—namely, ascertaining the forces which we need in order to combat possible acts of aggression. Over and above this—and of greater importance in my opinion—is the problem with which you are concerned—namely, that we maintain sufficient strength to assist you in your difficult international negotiations, in order that peace may be maintained.

As you know, last spring the President set a limit of fifteen billion dollars as the tentative ceiling for the military budget for fiscal 1950.<sup>3</sup>

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<sup>1</sup> On October 31, the text of this letter and its enclosure were transmitted by the Department of State through military channels to the Secretary of State at Paris, where he was attending the Third Session of the United Nations General Assembly.

<sup>2</sup> In regard to interdepartmental discussions in 1948 with respect to the military budget, see Millis, *The Forrestal Diaries*, pp. 412-450 *passim*, and 492-511 *passim*.

<sup>3</sup> For an account of the White House meeting of May 13, 1948, at which the President announced the \$15 billion ceiling, see *ibid.*, pp. 435-438.

In point of fact, the ceiling is actually 14.4 billion because of the practice of charging funds for stockpiling against the military ceiling—and the stockpiling appropriation for the forthcoming fiscal year is on the order of six hundred million dollars.

You are, of course, familiar with the international background when this decision of last spring was reached. You will recall that you and I and the Secretary of the Treasury talked over the matter with the President, and at that time you made the statement that our plans should be predicated on the assumption that we were *not* preparing for a state of war.

I think it is important to note that the ceiling of 14.4 billion will not be adequate to maintain the level of forces which we are scheduled to attain at the end of the current fiscal year. I am attaching a memorandum which gives the strengths previously planned for the current year—and some examples of the strength reductions that will flow from a 14.4 budget.

What I should like to have from you is your judgment on the following matters:

(a) Has there been an improvement in the international picture which would warrant a substantial reduction in the military forces we had planned to have in being by the end of the current fiscal year?

(b) Has the situation worsened since last spring and should we, therefore, be considering an augmentation of the forces that we were planning at that time?

(c) Is the situation about the same—that is, neither better nor worse?

On 10 July 1948, I addressed a letter to the National Security Council asking for guidance which would be of assistance to me in the formulation of my own views on the budget strengths that should be maintained.<sup>4</sup> Up to the present time the National Security Council has not been able to give me a reply. I fully realize, of course, that these are questions which involve many imponderables, and that a letter in precise language is not an easy one to draft. I do feel, however, that I must seek every avenue of judgment to supplement my own.

My reason for all of the foregoing can be summed up as follows:

In addition to submitting a budget within the President's tentative ceiling of 14.4 billion, I feel an obligation to inform him of the weakening of our strength which this budget entails, in the opinion of the Joint Chiefs of Staff—and I am also considering sending the President, as my own recommendation, a proposal that he lift the ceiling to approximately 17½ billion—which, in my opinion, while involving some risks, would provide us with forces capable of taking effective action in the event of trouble.

<sup>4</sup> NSC 20, July 10, 1948, p. 589.

I am writing this letter to obtain from you as much guidance as possible in determining the degree of vigor with which I should support the recommendation which I propose to submit, as outlined above.

Sincerely yours,

JAMES FORRESTAL

[Enclosure]

*Memorandum Enclosure for Letter to Secretary of State*

[WASHINGTON,] 31 October 1948.

In view of the present world situation it was decided on 14 October that the final determination as to the forces that should be maintained during fiscal year 1950 would be made at the latest practicable date that would still permit development and inclusion of the necessary budget data in the budgetary program of the President for the coming year. There was made public as a result of the hearings before the committees of the Congress last spring on the subject of selective service and the supplemental appropriation request required to support the program for augmentation of the military forces, the fact that funds were being provided which would provide year end (30 June 1949) strengths of 790,000 for the Army, 474,000 for the Navy, 92,000 for the Marines, and 446,500 for the Air Force—organized into 66 Groups. If the program for fiscal year 1949 were fully implemented, the total military personnel at June 30, 1949, would total 1,803,500, and *in addition* 161,000 one-year trainees—or an overall total of 1,964,500.

The tentative fiscal limitation for the National Military Establishment, exclusive of such items as stockpiling of critical materials, is \$14.4 billion. Present estimates indicate that within this limitation an aggregate strength of about 1,625,000 *including* one-year trainees could be maintained during fiscal year 1950. For purposes of comparison the military personnel and support that could be allocated to the Air Force within the 14.4 budget would provide for about 51 Groups as compared with a present program calling for 66 Groups at the end of fiscal year 1949.

Our present estimates are that to construct forces with a capability of effective reaction immediately at the outset of a war would require military personnel for the three services approximating 1,975,000, *including* one-year trainees. Again for purposes of comparison the personnel and funds and support under these estimates would provide for a 70 Group Air Force with comparable relative readiness on the part of the other forces. Cost of this program for fiscal year 1950 would approximate \$21 billion. Specifically, these estimates are based upon a war plan which—in the event of hostilities—would contemplate



securing of the Mediterranean line of communications and the use by us, in conjunction with our allies, of the Cairo-Suez area.

At present we are attempting to develop and evaluate a strategic concept which could be implemented with forces between the lesser strengths and the greater strengths indicated above. The tentative fiscal limitation we are using as a target for this intermediate force comes to approximately \$17.5 billion. The aggregate forces under this intermediate target approximate the year and strengths previously planned for the current fiscal year.

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811.20/11-48

*Memorandum by the Acting Secretary of State to the Secretary of State in Paris*

TOP SECRET      EYES ONLY

[WASHINGTON,] November 1, 1948.

On Sunday, 31 October, Forrestal called me for the purpose of discussing his budget problem.<sup>1</sup> He said that he and the military leaders had consulted General Marshall regarding the tentative top limit put on the military budget for the fiscal year 1950 since he felt that the 15 billion dollar figure (he referred to it as 14.4 billions actually, available) would be too small to permit the development of defensive forces agreed on last spring. He was aiming to have those ready by July 1, 1949.

Without going too much into the detail, Forrestal said that one of the complications in arriving at a decision was the degree of importance attached to an adequate military establishment in connection with our present foreign policy and the negotiations now taking place.

I told him that that was obviously a very difficult question and that it was not my understanding that the State Department should be put in a position of expressing judgment on the size of the defense forces which this country needed for its national security. I referred to this topic, which I had discussed at lunch with him on 26 October, and he agreed that his questions to you should not be so much on the size of the budget or the amount of military strength needed, but rather should be requests for an opinion as to whether or not the international situation was static or deteriorating as compared with the conclusions reached last spring.

He said he was writing a letter to you enclosing a memorandum and raising several questions along the line mentioned just above and that the most important one related to whether or not matters had gotten sufficiently better internationally to permit a reduction in the mili-

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<sup>1</sup> For Forrestal's account of the discussion, see Millis, *The Forrestal Diaries*, p. 511.

tary forces previously planned as being ready by the middle of next year.<sup>2</sup>

He said he had to start talks with the Budget on November 8 and that he realized the time was very short to get an indication of your views. In these circumstances he asked if I would make a guess as to the answer to the principal question. I told him that my opinion would be of little value but that, if he wanted a personal estimate pending receipt of word from you, I would guess that the situation was not changed much since the spring and certainly I could see no substantial improvement in the world situation, particularly in the light of the Stalin speech<sup>3</sup> and the growing complications in the Middle East.

I also suggested that one of the elements he would probably wish to take into account was the inevitable requirement for some method of providing assistance to the Brussels signatories in connection with any regional association or otherwise.

Forrestal said that, in order to carry out the targets agreed to earlier this year, he thought the military establishment budgets would have to be increased. Last Tuesday he mentioned a figure of something under 18 billions as a middle figure between the requests from the military establishment and the budgeted ceiling of 15 billions.

The conversation ended in a discussion of the possibility of the urgent need for economies in the overhead costs of the military services and in the avoidance of unnecessary duplication.

L[OVETT]

<sup>2</sup> The letter and memorandum are printed *supra*.

<sup>3</sup> Reference is presumably to the interview published by *Pravda* on October 28 in which Stalin was highly critical of Western policy with respect to Berlin; for documentation on United States policy regarding the Berlin crisis, see vol. II, pp. 867 ff.

711.5/11-248

*The Acting Secretary of State to the Secretary of State in Paris*

TOP SECRET EYES ONLY

WASHINGTON, November 2, 1948.

DEAR GENERAL MARSHALL: I attach to this letter two documents, the first, marked (A), being a memorandum of conversation with Secretary Forrestal,<sup>1</sup> and the second, marked (B), being a letter from Forrestal to you received yesterday.<sup>2</sup> The memorandum I wrote you was based on two conversations I had with Forrestal at his request and which were apparently in the nature of a prologue to his letter mentioned above.

Because of the nature of Forrestal's letter, I discussed the matter

<sup>1</sup> *Supra*.

<sup>2</sup> *Ante*, p. 644.

with Kennan and we decided that it might be of some use to you in preparing your reply if we passed on a composite of our recollections of the genesis of this matter with a few comments which might have a bearing on our exodus.

Forrestal states that when you and he and Secretary Snyder<sup>3</sup> talked over the matter covered by his letter with the President,<sup>4</sup> you stated that "our plans should be predicated on the assumption that we were *not* preparing for a state of war". This, it seems to us, must be a considerable over-simplification of what you actually said. Kennan's group prepared on June 23 a paper designed to clarify the relation of U.S. defense preparations to the political situation which lay before us.<sup>5</sup> The conclusion of that paper was that

"... a U.S. defense policy based on the maintenance of a permanent state of adequate military preparation meets better the requirements of the situation, insofar as these arise out of Soviet policies and attitudes, than a defense effort pointed toward a given estimated peak of war danger."

I have a faint recollection that in one of these conversations the question came up as to whether the maximum military strength should be aimed at the year '51, '52, '53, etc. These dates apparently had some relation to the guesses being made as to the earliest time at which the Soviets might reasonably be expected to have an effective atomic bomb.

It has occurred to Kennan and myself that possibly it was the thought expressed in the above quotation, against the background of an attempt to select a particular year for ultimate defense readiness, that you were expressing and which Forrestal has quoted so summarily. If our guess is right this might be brought out in the reply.

The specific questions (*a*, *b*, and *c*) which Forrestal asks of you seem to reflect two assumptions which we think may be open to question. The first of these is that there is such a thing as an objective world situation, independent of our own policies, to which our defense preparations are only a reaction.

The second is that the Secretary of State has the special and exclusive facilities for analyzing this world situation and the sole responsibility for describing and interpreting it as a basis for our defense policy.

The first of these assumptions appears to be wrong because the question as to whether or not we will need to use our armed forces, in an international sense, at any given time lies to a large extent with our-

<sup>3</sup> John W. Snyder, Secretary of the Treasury.

<sup>4</sup> For an account of the White House meeting of May 7, 1948, attended by Marshall, Forrestal, Snyder, and others, see Millis, *The Forrestal Diaries*, pp. 431-432.

<sup>5</sup> The document under reference is printed as NSC 20/2, August 25. 615.

selves. If, therefore, Forrestal wants to know whether the world situation is developing in a way which means that there is an increasing likelihood of war, the answer would seem to be that that depends in considerable part on the decision of the President, acting on the advice of the National Security Council, of which Mr. Forrestal is a member.

To the extent that events outside of our control or influence do alter the international background against which our defense policies must be formed, we do not think that the military establishment is entitled to place, by implication, the entire onus of analyzing and interpreting this situation on the Secretary of State. The intelligence which the Secretary of State has at his disposal concerning world events is substantially the same as that which is available to the President and to the other members of the National Security Council, and his voice is only one of those whose advice the President would wish to hear in making the decisions which involve an estimate of future developments affecting national security.

We have attempted to frame answers to Forrestal's specific questions in the light of the background given above. For what little they may be worth, I set them out below:

Q. (a) Has there been an improvement in the international picture which would warrant a substantial reduction in the military forces we had planned to have in being by the end of the current fiscal year?

A. Obviously there has been no such improvement in the international picture.

Q. (b) Has the situation worsened since last spring and should we, therefore, be considering an augmentation of the forces that we were planning at that time?

A. There is no sign that the basic Soviet policies have undergone any change since last spring. However, we must recognize that the Berlin conflict has produced a worsening of the situation, since it has placed us in an awkward position from which we may not be able to extricate ourselves except by a strong show, or use, of armed strength. This increased danger relates, of course, to our immediate needs for the coming winter and spring. Needs for fiscal 1950 cannot now be accurately estimated. They will depend to an important extent on what happens between now and next July. In these circumstances, we should prepare for the least favorable of possible developments. This would certainly call for no planned diminution of the strength we are now aiming at for the end of this year, and probably for an actual increase.

Q. (c) Is the situation about the same—that is, neither better nor worse?

A. See answer to (b) above.

I hope our thinking is not too far off the beam and that these hasty comments may be of some use in saving your already over-crowded time.

With best regards always, I am

Very sincerely yours,

ROBERT A. LOVETT

811.20200(D)/11-348

*The Acting Secretary of State to Certain Diplomatic and Consular  
Offices*<sup>1</sup>

SECRET

WASHINGTON, November 3, 1948.

The Acting Secretary of State refers to the information and educational exchange programs and in particular to the Department's instruction of July 20, 1948<sup>2</sup> concerning United States information policy with regard to anti-American propaganda.

Attention is directed to paragraph 6 of enclosure one of the reference instruction wherein it is stated that, within the framework established by the full text of both enclosures, one of the objectives of the information policy with regard to anti-American propaganda is: "To gain acceptance, among the people of third countries, of the truth about the policies and actions of the USSR and its satellites with a view to strengthening opposition to the USSR and to Communist organizations." Attention is also directed to paragraphs 6 and 9 of enclosure two of the reference instruction wherein it is stated that in the information program: "We should expose Soviet policies and actions that directly or indirectly jeopardize the interests of third countries, their independence or the aspirations of free men in those countries . . ." and "We should expose the discrepancy between professed Soviet and Communist aims and actual Soviet and Communist practices on all major issues which illustrate the distinction between democratic and totalitarian government . . ."

In order to assist officers in the field responsible for the information and educational program to implement the above objectives, the Department is prepared to provide such officers, on a continuing basis, with factual studies specifically aimed at exposing discrepancies between professed Soviet aims and actual Soviet practices.

These studies are prepared by a special section of the Office of Intelligence Research of the Department, in consultation with other appropriate offices of the Department and in accordance with suggestions of the Embassy in Moscow. These studies are based on concrete and documented sources, liberally using quotations from Soviet sources. They avoid a polemical tone, and hold editorializing to a minimum, on the assumption that the evidence alone is more effective than argumentation. Subject matter of the studies is selected primarily in accordance with current developments in Soviet policies and activities. Each study is complete in itself, though most are related to a few important central themes. Besides their primary purpose in implementing the information program, it is hoped that they will be helpful to the members

<sup>1</sup> Sent to 85 United States Embassies, Legations, Consulates, and Political Advisers.

<sup>2</sup> *Ante*, p. 593.

of the mission for their own information and to enable them more effectively to present an informal point of view in their local contacts.

Copies of the first several numbers in the series of studies are enclosed both for immediate use, if appropriate, and to serve as examples of the scope and nature of the entire project. Others will be forwarded as prepared.

The studies may be used by Information Officers and other members of the Mission at their own discretion for best effect. In order to avoid defeating our purposes, however, officers are urged to use reserve and discrimination, it being particularly desirable to avoid any widespread knowledge that US agencies are engaging in this activity.

The Department will appreciate suggestions and comments, to be submitted by cable at the earliest possible date, regarding the entire project, the materials enclosed, and subjects for future studies peculiarly appropriate for dissemination in particular areas. General and specific reports concerning the use made of the studies should be included in the regular monthly reports of USIS offices.

Enclosures: Soviet Affairs Notes <sup>3</sup>—

1. The "New" Soviet Housing Law.
2. Legal Penalties for Refusal of Soviet Officials to Return from Abroad.
3. The Soviet World Outlook; a Handbook of Quotations from Soviet Sources.
4. Enter Communists—Exit Boy Scouts.
5. Soviet Troops Make Ready to Withdraw from Korea.
6. Vyshinsky's Disarmament Proposal.
7. The Soviet Standard of Living.
8. How Well Off is the Soviet Worker.
  - (1) Work Time Required in the USSR and Great Britain for the Purchase of Certain Consumers' Goods;
  - (2) Work Time Required in the USSR and Sweden for the Purchase of Certain Consumers' Goods;
  - (3) Work Time Required in the USSR and Belgium for the Purchase of Certain Consumers' Goods.
9. Soviet Claims for Priority in Scientific Discoveries.

<sup>3</sup> Enclosures not reproduced.

811.20/11-748

*Memorandum by the Counselor (Bohlen) to Marshall S. Carter,  
Special Assistant to the Secretary of State*

TOP SECRET

[PARIS,] November 7, 1948.

Since this is peculiarly a subject on which the Secretary would have his own personal views I do not believe that there is much that I can

add to the general views worked out in Washington by Lovett and Kennan<sup>1</sup> with which I am in entire agreement.

I give below, however, a tentative draft reply to Forrestal's question.

#### DRAFT REPLY

There has been no improvement in the international situation which would warrant any reduction in the military forces planned for the end of the current fiscal year. There has as yet been no indication of any basic change in the policy of hostility towards the non-Soviet world, and in particular the United States, pursued by the Soviet Union.

The responsibility which this country bears in the world today cannot be expected to diminish until there has been a substantial return of strength and stability to the free nations of Europe. There are no grounds for expecting any decisive accretion of strength to the natural Allies of the United States by the end of the current fiscal year.

The responsibilities of the United States as a factor restraining aggressive action on the part of the Soviet Union will remain unchanged insofar as any present estimates are concerned.

The only new element in the European situation since last spring is the situation in Berlin and the continuance of the Soviet blockade. As long as the Berlin situation continues in its present form—and there are no adequate grounds as yet for believing that a settlement is in sight—while not in itself an inevitable cause of armed conflict, given certain developments such as a possible failure of the airlift during the winter months it can result in a condition in which the United States might be compelled to employ armed force in order to maintain its position in Berlin.

In short, I would say that while there are certain optimistic portents for the long-range future, we must expect for the current fiscal year a situation which is neither better nor worse than that which we have faced in 1948 in so far as it affects the ceiling of our military establishment.

The larger question of the relationship of our military establishment to our responsibilities in the foreign field is, as you say, not a question susceptible of an easy answer. A variety of factors must be brought into relationship with the ultimate decision.

In my opinion there are two factors, however, which bear directly on the question which you put to me.

I regard it as essential, in order that we may continue to exercise the restraint upon possible Soviet aggressive action, that we should be in such a state of continuous readiness as to cause the Soviet Union to fear immediate retaliation on our part. This would involve the mainte-

<sup>1</sup> See Lovett's letter to Marshall, November 2, p. 648.

nance of a striking force, particularly in the field of air power with the necessary concomitants throughout the national defense establishment, which would permit us the possibility of swift and effective retaliation.

The second factor which must be considered is that in the last analysis it is the productive potential of the United States which constitutes the general restraining factor in the world today. It would be, in my opinion, unwise for the United States to devote such a proportion of our national production to the maintenance of an existing military establishment so as to impair the potential productivity of our national economy.

It is impossible for me from here to enter into any discussion as to the ceiling figure which would accomplish the first objective without impairing the second. I can only repeat that there is nothing in the world situation which, in my opinion, would justify the United States in reducing below the planned level the size of its military establishment. The psychological effect abroad of a reduction at this time would, I am confident, bring dismay to our friends and supporters in Europe who are looking to us to hold the line during the period in which their defense capabilities are brought up to the level which would permit a restoration of a natural balance of forces on the continent of Europe.<sup>2</sup>

C[HARLES] E. B[OHLEN]

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<sup>2</sup> The following handwritten postscript appears on the source text:

"There is a further consideration which relates to the two factors just mentioned. Our policy should be to build up Western Europe ground forces which means the provision of munitions. We should not at this stage, proceed to build up U.S. ground forces for the express purpose of employing them in Western Europe."

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711.00/11-848: Telegram

*The Secretary of State in Paris to the Acting Secretary of State*

TOP SECRET URGENT

PARIS, November 8, 1948—11 p. m.

Martel 116. Personal and eyes only for Lovett from Marshall. My immediately following message<sup>1</sup> contains proposed reply to Forrestal's budget letter.<sup>2</sup> If it meets with your approval, please see that he gets it. I agree with the views expressed in your memorandum to me,<sup>3</sup> but am not disposed to make a particular point with Forrestal as to existence of an objective world situation independent of our own policies, or as to my responsibilities for analyzing the world situation for military budget purposes.

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<sup>1</sup> *Infra.*

<sup>2</sup> October 31, p. 644.

<sup>3</sup> November 2, p. 648.



Last spring when Forrestal, Snyder, and I talked to the President, the discussion was designed to give some semblance of order (some attempt to recoup our lost military stature), to the dilemma we found ourselves in without even a token military establishment in being. You will recall that UMT was the keystone of this effort. I told Forrestal then that he should plan on building his forces within a balanced national economy, and that the country could not, and would not, support a budget based on preparation for war. This view still holds. It has nothing to do with the international situation as such—it is designed to get the most security without putting the nation on a war-time footing.

MARSHALL

711.00/11-848 : Telegram

*The Secretary of State in Paris to the Acting Secretary of State*

TOP SECRET URGENT

PARIS, November 8, 1948—11 p. m.

Martel 117. Personal and eyes only for Lovett from Marshall. Please pass following message to Forrestal:

"Dear Forrestal: Reference your letter of 31 October,<sup>1</sup> repeated to me in radio message WAR-91804; my views follow:

The responsibility which this country bears in the world today cannot be expected to diminish until there has been a substantial return of strength and stability to the free nations of Europe. There are no grounds for expecting any decisive accretion of strength to the natural allies of the United States by the end of the current fiscal year.

The responsibilities of the United States as a factor restraining aggressive action on the part of the Soviet Union will remain unchanged insofar as any present estimates are concerned. The only new element in the European situation since last spring is the situation in Berlin and the continuance of the Soviet blockade.

In short, I would say that while there are certain optimistic portents for the long-range future, we must expect for the current fiscal year a situation which is neither better nor worse than that which we have faced in 1948 insofar as it affects the ceiling of our military establishment.

There is a further consideration which relates to the two factors just mentioned. Our policy should be to build up Western Europe ground forces which means the provision of munitions. We should not, at this stage, proceed to build up US ground forces for the express purpose of employing them in Western Europe."

MARSHALL

<sup>1</sup> *Ante*, p. 644.

S/S-NSC Files : Lot 63D351 : NSC 35 Series

*Report to the National Security Council by the Secretary of Defense  
(Forrestal)*

TOP SECRET  
NSC 35

WASHINGTON, November 17, 1948.

NOTE BY THE EXECUTIVE SECRETARY TO THE NATIONAL SECURITY COUNCIL ON EXISTING INTERNATIONAL COMMITMENTS INVOLVING THE POSSIBLE USE OF ARMED FORCES

- References: A. Memo for the NSC from the Exec. Sec., subject, "U.S. Objectives With Respect to the USSR To Counter Soviet Threats to U.S. Security", dated November 16, 1948.<sup>1</sup>  
B. NSC 20 Series.<sup>2</sup>  
C. NSC Action No. 88b.<sup>3</sup>

The enclosed memorandum on the subject to the Secretary of Defense from the Joint Chiefs of Staff, referred to in reference A, is circulated herewith for the information of the National Security Council and referred to the NSC Staff for use in the preparation of a report, pursuant to reference C, on a program of specific measures, in the light of our existing commitments and capabilities, to achieve the current U.S. objectives with respect to the USSR, as adopted by the Council and approved by the President in the NSC 20 Series.

SIDNEY W. SOUERS

[Annex]

*Memorandum by the Joint Chiefs of Staff to the Secretary of Defense  
(Forrestal)*

WASHINGTON, November 2, 1948.

Subject: Existing International Commitments Involving the Possible Use of Armed Forces.

There is enclosed herewith a catalog of commitments\* involving the use or possible use of armed forces which has been prepared in response to your request dated 25 May 1948.<sup>4</sup>

<sup>1</sup> See NSC 20/4, same title, dated November 23, *infra*.

<sup>2</sup> See footnote 1, 662.

<sup>3</sup> See footnote 2, p. 616.

\*The "Catalog of Commitments" is being circulated by separate memorandum to Council members and Staff outside of the National Military Establishment. [Footnote in the source text. The Catalog of Commitments (as of 1 September 1948) summarized in the present memorandum, 42 pages, is not printed.]

<sup>4</sup> Forrestal's request to the Joint Chiefs of Staff, May 25, has not been found in the files of the Department of State.

In order to make the catalog comprehensive and fully responsive to your request, the Joint Chiefs of Staff have considered the term "commitment" in its broadest sense. Thus, there have been included not only actual assignments of forces, such as military occupation commitments, but also commitments of a less tangible nature, such as those implicit in pledges, pacts, contingent military action and our foreign policies.

Since the less tangible commitments, although in many cases potentially enormous, are not susceptible of measurement in other than general terms, no effort has been made to tabulate all of the armed forces involved. For information and ready reference, the current troop bases† for major actual (occupational) commitments are listed, but other commitments are not expressed in figures. Other commitments are either potential (not measurable, but varying in importance from small to vast) or minor actual (measurable, but not of great relative importance). Therefore, the sum of all measurable commitments would be misleading. The current deployment of all of our armed forces can be set forth if and when required, however, as a separate matter.

For convenient reference the catalog has been tabulated under the following headings:

- a. Military requirements essential for the support of United States policies.
- b. Predetermined United States military actions to be undertaken if certain events should transpire, and
- c. United States pledges of military aid and assistance.

Since it has not been practicable to make all of the listings of the catalog mutually exclusive, there is some overlapping, particularly with regard to the matter of implications. For the purposes of this paper, however, the implications involved in each requirement, predetermined action or pledge have been considered in connection with the military responsibilities on which they are based.

Some of the very large number of international arrangements which involve possible security commitments and some of the numerous military requirements for the support of United States foreign policy may have been omitted from the catalog. Any such omission, however, is of a minor nature and involves military interest only as a remote possibility.

While the catalog is necessarily voluminous, its major commitment implications, a number of which are currently very great, can be readily summarized and this has been done hereunder. This summary

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†The term "troop basis" as used in this memorandum is defined as an approved list of the number of military personnel required for the performance of a particular mission. [Footnote in the source text.]

forms a basis for conclusions (following the summary) which the Joint Chiefs of Staff consider to have bearing of the highest importance on the position of the National Military Establishment with respect to the threatening world situation and to the trends of our international policies.

The summary of major commitment implications follows:

*a. Military Requirements Essential for the Support of United States Policies.*

(1) Military support is required for our major United States policies, which include maintenance of the security, not only of the United States, its territories, possessions, leased areas and trust territories, but also of the other American states. These policies further include assistance to other free nations, the security of which is of critical importance to the United States, if they are to present effective resistance to Communist aggression. The implications of this latter commitment, in view of the current attitude and capabilities of the USSR, can easily and rapidly extend to global warfare.

*b. Predetermined United States Military Actions to be Undertaken if Certain Events Should Transpire.*

(1) There has been approved a policy of supporting the security of the Eastern Mediterranean and the Middle East, assisting in maintaining the territorial integrity and political independence of Italy, Greece, Turkey, and Iran and being prepared in connection therewith to make full use of United States political, economic, and, if necessary, military power in such manner as may be most effective. . . .

*c. United States Pledges of Military Aid and Assistance.*

(1) Military Occupation Commitments.

(a) The United States has military occupation commitments in Germany, Austria, Trieste, Japan, and Korea totaling approximately 255,000 men. Except in Korea, there is no early prospect of any reduction in these requirements. The implications of our European occupation commitments are very great in that the current cold warfare with the USSR can extend at any time to global warfare.

(b) There are numerous commitments with respect to our use of bases in connection with maintenance of lines of communication to Europe and Asiatic military occupation areas. The implications of these commitments, though potentially great, appear at present to be minor.

(2) United Nations Commitments.

(a) The United States is committed to full support of the United Nations Charter, including the provision of its quota of United Nations armed forces at such time as these forces are established. The implications of this commitment can be very extensive, since any nation providing a quota must be prepared to

employ its full military strength if necessary to carry out such enforcement action as may be undertaken by the United Nations. Lack of progress to date in negotiations regarding United Nations armed forces indicates, however, that this commitment is not a matter of immediate concern with respect to provision of a United States quota.

(b) The United States is committed by the United Nations Security Council Resolution of 15 July 1948<sup>5</sup> to consider the employment of armed forces in Palestine to restore peace and security. The implications of this commitment are very great, since peace enforcement in Palestine, once undertaken, can lead to general war involvement extending throughout the Middle East and eventually to global warfare.

### (3) Aid and Assistance Pacts.

(a) In addition to international aid and assistance agreements by the United States to assist any American nation in meeting armed aggression or attack from either without or within the Western Hemisphere, the United States is specifically committed to the defense of Brazil and Greenland and is committed, by treaty or agreement implications, to the defense of Canada, Iceland, Newfoundland (including Labrador), Mexico, Cuba, Panama, the British West Indies, and British Guiana. The implications of these commitments are potentially but not at present great.

(b) The United States Senate in the "Vandenberg Resolution" (Senate Resolution 239, 80th Congress) states in part that this country should pursue as objectives: "Association of the United States, by Constitutional process, with such regional and other collective arrangements as are based on continuous and effective self-help and mutual aid, and as affect its national security" and "Contributing to the maintenance of peace by making clear its determination to exercise the right of individual or collective self-defense under Article 51 should any armed attack occur affecting its national security." Although the Vandenberg Resolution has not yet become literally a commitment, its implications are, nevertheless, very great and can extend to United States involvement in global warfare.

(c) Military assistance is being provided to China. The implications of our China policy are not now great, but can become of great importance.

(d) There are no specific United States pledges for military aid in Africa but military assistance there can become essential.

(e) United States protection is pledged to the Philippines. This is not an unduly heavy commitment at present. Its implications can become important in the event of global warfare.

The foregoing summary leads to the following conclusions, which are intended to set forth the relationship, from the military viewpoint, between our state of readiness and our international commitments,

<sup>5</sup> For text, see vol. v, Part 2, p. 1224.

together with the action in connection therewith which will best safeguard our national security.

a. It is clear from the above summary of commitments and their implications and from the attitude and capabilities of the USSR, together with the determination of the United States to resist communist aggression, and over-all commitment which in itself is all-inclusive and with which the Joint Chiefs of Staff are firmly in agreement, that it is essential to our national security to bring our military strength to a level commensurate with the distinct possibility of global warfare.

b. As to this possibility, the Joint Chiefs of Staff, while recognizing the probability that the USSR does not intend at present to resort to war as a means of aggression, must recognize also the likelihood that the USSR will resort to war when, in terms of their comparative readiness and their need to exert overt force, it best serves their purpose. The Joint Chiefs of Staff recognize further that unforeseen developments, internal conditions in the USSR, miscalculation by the Soviets as to the degree of our determination to resist further encroachment by them, or miscalculation by ourselves as to the degree of opposition the Soviets will accept without concluding that initiation of war is mandatory, may singly or together result in early major hostilities.

c. In either case—the probability of war in a few years or the possibility of war soon—the Joint Chiefs of Staff are convinced that their previous views with respect to steps that should be taken for improving our military strength and state of readiness are sound and that developments since these views were first expressed make it more than ever essential to continue with their early implementation. For ready reference these views may be summarized as follows:

Measures that should now be taken should provide not only for increased military manpower (not limited to present peacetime strength) but also for increased appropriations necessary for strengthening our National Military Establishment. With respect to initiation of civilian and industrial mobilization, because of the inherent and quite possibly critical length of time required for legislative action, the necessary statutory authorizations should be sought now for civilian and industrial readiness, such authorizations to correspond to those found essential during World War II and to be invoked as and to the extent required.

If political considerations should result in determination that this step is not now practicable, every possible effort should be devoted now to advance planning directed toward reduction to a minimum of the time lag between decision and action when legislative steps of this nature do become politically possible.

In essence, the basic objectives should be that measures taken now for strengthening promptly the National Military Establishment should meet at least the requirements for effective emergency action, and that, to every practicable extent, provision should be made for extending the scope of such measures to all-out war effort without avoidable delay.

d. Our military strength and state of readiness are being improved. Not all necessary steps have been taken, however, and it is not to be expected that anything can eliminate the inherent and dangerous time interval, even should there be inauguration of full mobilization, before adequate preparedness for major war effort can result.

e. Thus, it remains true, as stated previously by the Joint Chiefs of Staff, that, from the standpoint of national security, every effort should be made to avoid actual United States military commitment, in the sense of committing any of our armed forces to military action, unless and until *preceded* by adequate preparedness. This was further discussed in the enclosure to a memorandum to the Secretary of Defense dated 18 August 1948 † in which the Joint Chiefs of Staff pointed out that implementation of our potential commitment regarding peace enforcement in Palestine would, as in the case of implementation of many of the other commitments summarized above, result in non-availability of troops for emergency deployment to any other area, seriously delay the military strengthening now being undertaken, and jeopardize our national security because of our inability to meet, for some time to come, the further military demands that would inevitably develop from any initial, actual commitment of our armed forces to action.

f. The extreme inadvisability, as set forth above, of any actual commitment to action of our armed forces at this time is accentuated by the fact that, as a corollary, no other such commitment elsewhere would then be practicable, whereas the scope of our obligations and the present state and trend of the world situation demand our readiness to back up these obligations in numerous areas. A pertinent case is the Berlin situation, which in itself demands not only every effort to expedite the strengthening of our military posture but also the husbanding of every military resource we now have.

g. As the Joint Chiefs of Staff have previously stated, the great importance to our national security of keeping our military capabilities abreast of our foreign commitments and their implications cannot be over-emphasized. This is to be construed not as non-concurrence with any phase of United States foreign or international policy but simply as recognition of the responsibility of the Joint Chiefs of Staff for national security, together with recognition of the fact that current United States commitments involving the use or distinctly possible use of armed forces are very greatly in excess of our present ability to fulfill them either promptly or effectively. The importance of this view is confirmed in the National Security Act of 1947, which states that it is the duty of the National Security Council "to assess and appraise the objectives, commitments, and risks of the United States in relation to our actual and potential military power in the interests of national security . . . ."

h. From the military viewpoint and as evidenced by the consistent trend of the Soviet attitude, our *potential* military power and our determination to resist further Soviet encroachment have not caused the Soviets to cease their aggressions. On the other hand, lack of readiness constitutes, apparently, actual encouragement to aggression while also jeopardizing our national security in the event of war.

†NSC 27. [Footnote in the source text. For text, see vol. v, Part 2, p. 1321.]

i. Therefore, as current ominous trends in international relations continue, our potential will become less and less important as a war deterrent and improvement of our state of readiness will become more and more important, not only as support for firm and effective foreign policy, but also as prudent insurance against disaster.

For the Joint Chiefs of Staff:

WILLIAM D. LEAHY

*Fleet Admiral, U.S. Navy,*

*Chief of Staff to the*

*Commander in Chief of the Armed Forces*

S/S-SNC Files: Lot 63D351: NSC 20 Series

*Report to the President by the National Security Council*

TOP SECRET  
NSC 20/4

WASHINGTON, November 23, 1948.

NOTE BY THE EXECUTIVE SECRETARY ON U.S. OBJECTIVES WITH RESPECT  
TO THE USSR TO COUNTER SOVIET THREATS TO U.S. SECURITY

References: A. NSC 20, 20/1, 20/2 and 20/3<sup>1</sup>  
B. CIA Report, ORE 60-48<sup>2</sup>

At its 27th Meeting,<sup>3</sup> the National Security Council considered a draft report on the above subject (NSC 20/3) and adopted it, subject to amendment of paragraph 22-d, in the revised form enclosed herewith.

The National Security Council recommends that the President approve the Conclusions contained herein and direct that this report be disseminated to all appropriate officials of the U.S. Government for their information and guidance.<sup>4</sup>

SIDNEY W. SOUERS

<sup>1</sup> NSC 20 and NSC 20/2 are printed p. 589 and p. 615, respectively. For the summary of conclusions of NSC 20/1, see p. 609. NSC 20/3, November 2, an antecedent draft of the present paper, prepared by the NSC Staff on the basis of NSC 20/1, and NSC 20/2, is not printed.

<sup>2</sup> Not printed.

<sup>3</sup> November 23.

<sup>4</sup> President Truman approved the conclusions of NSC 20/4 on November 24 and directed that it be disseminated to all appropriate officials of the U.S. Government for their information and guidance. Members of the National Security Council received copies the same day. In a memorandum of December 3, the NSC was informed by its Executive Secretary that the report was being made available by the President to the following additional officials: the Secretaries of the Treasury, Interior, Agriculture, Commerce, and Labor; the Attorney General; the Postmaster General; the Economic Cooperation Administrator; the Director of the Bureau of the Budget; and the Chairman of the Council of Economic Advisers. President Truman circulated NSC 20/4 at the December 3 meeting of the Cabinet. (Policy Planning Staff Files)



[Enclosure]

REPORT BY THE NATIONAL SECURITY COUNCIL ON U.S. OBJECTIVES WITH  
RESPECT TO THE USSR TO COUNTER SOVIET THREATS TO U.S. SECURITY

## THE PROBLEM

1. To assess and appraise existing and foreseeable threats to our national security currently posed by the USSR; and to formulate our objectives and aims as a guide in determining measures required to counter such threats.

## ANALYSIS OF THE NATURE OF THE THREATS

2. The will and ability of the leaders of the USSR to pursue policies which threaten the security of the United States constitute the greatest single danger to the U.S. within the foreseeable future.

3. Communist ideology and Soviet behavior clearly demonstrate that the ultimate objective of the leaders of the USSR is the domination of the world. Soviet leaders hold that the Soviet communist party is the militant vanguard of the world proletariat in its rise to political power, and that the USSR, base of the world communist movement, will not be safe until the non-communist nations have been so reduced in strength and numbers that communist influence is dominant throughout the world. The immediate goal of top priority since the recent war has been the political conquest of western Europe. The resistance of the United States is recognized by the USSR as a major obstacle to the attainment of these goals.

4. The Soviet leaders appear to be pursuing these aims by:

*a.* Endeavoring to insert Soviet-controlled groups into positions of power and influence everywhere, seizing every opportunity presented by weakness and instability in other states and exploiting to the utmost the techniques of infiltration and propaganda, as well as the coercive power of preponderant Soviet military strength.

*b.* Waging political, economic, and psychological warfare against all elements resistant to communist purposes, and in particular attempting to prevent or retard the recovery of and cooperation among western European countries.

*c.* Building up as rapidly as possible the war potential of the Soviet orbit in anticipation of war, which in communist thinking is inevitable.

Both the immediate purposes and the ultimate objective of the Soviet leaders are inimical to the security of the United States and will continue to be so indefinitely.

5. The present Soviet ability to threaten U.S. security by measures short of war rests on:

*a.* The complete and effective centralization of power throughout the USSR and the international communist movement.

b. The persuasive appeal of a pseudo-scientific ideology promising panaceas and brought to other peoples by the intensive efforts of a modern totalitarian propaganda machine.

c. The highly effective techniques of subversion, infiltration and capture of political power, worked out through a half a century of study and experiment.

d. The power to use the military might of Russia, and of other countries already captured, for purposes of intimidation or, where necessary, military action.

e. The relatively high degree of political and social instability prevailing at this time in other countries, particularly in the European countries affected by the recent war and in the colonial or backward areas on which these European areas are dependent for markets and raw materials.

f. The ability to exploit the margin of tolerance accorded the communists and their dupes in democratic countries by virtue of the reluctance of such countries to restrict democratic freedoms merely in order to inhibit the activities of a single faction and by the failure of those countries to expose the fallacies and evils of communism.

6. It is impossible to calculate with any degree of precision the dimensions of the threat to U.S. security presented by these Soviet measures short of war. The success of these measures depends on a wide variety of currently unpredictable factors, including the degree of resistance encountered elsewhere, the effectiveness of U.S. policy, the development of relationships within the Soviet structure of power, etc. Had the United States not taken vigorous measures during the past two years to stiffen the resistance of western European and Mediterranean countries to communist pressures, most of western Europe would today have been politically captured by the communist movement. Today, barring some radical alteration of the underlying situation which would give new possibilities to the communists, the communists appear to have little chance of effecting at this juncture the political conquest of any countries west of the Luebeck-Trieste line. The unsuccessful outcome of this political offensive has in turn created serious problems for them behind the iron curtain, and their policies are today probably motivated in large measure by defensive considerations. However, it cannot be assumed that Soviet capabilities for subversion and political aggression will decrease in the next decade, and they may become even more dangerous than at present.

7. In present circumstances the capabilities of the USSR to threaten U.S. security by the use of armed forces\* are dangerous and immediate:

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\*Soviet military capabilities as set forth in this paper, while constituting potential threats to U.S. security which must be recognized, do not represent an evaluated estimate of Soviet intentions to utilize these capabilities, do not take into account the effect of counter action, and are based upon the assumption of no important change in the territory under Soviet control or in the type of that control. [Footnote in the source text.]

a. The USSR, while not capable of sustained and decisive direct military attack against U.S. territory or the Western Hemisphere, is capable of serious submarine warfare and of a limited number of one-way bomber sorties.

b. Present intelligence estimates attribute to Soviet armed forces the capability of over-running in about six months all of Continental Europe and the Near East as far as Cairo, while simultaneously occupying important continental points in the Far East. Meanwhile, Great Britain could be subjected to severe air and missile bombardment.

c. Russian seizure of these areas would ultimately enhance the Soviet war potential, if sufficient time were allowed and Soviet leaders were able to consolidate Russian control and to integrate Europe into the Soviet system. This would permit an eventual concentration of hostile power which would pose an unacceptable threat to the security of the United States.

8. However, rapid military expansion over Eurasia would tax Soviet logistic facilities and impose a serious strain on Russian economy. If at the same time the USSR were engaged in war with the United States, Soviet capabilities might well, in face of the strategic offensives of the United States, prove unequal to the task of holding the territories seized by the Soviet forces. If the United States were to exploit the potentialities of psychological warfare and subversive activity within the Soviet orbit, the USSR would be faced with increased disaffection, discontent, and underground opposition within the area under Soviet control.

9. Present estimates indicate that the current Soviet capabilities mentioned in 7-a above will progressively increase and that by no later than 1955 the USSR will probably be capable of serious air attacks against the United States with atomic, biological and chemical weapons, of more extensive submarine operations (including the launching of short-range guided missiles), and of airborne operations to seize advance bases. However, the USSR could not, even then, successfully undertake an invasion of the United States as long as effective U.S. military forces remained in being. Soviet capabilities for overrunning western Europe and the Near East and for occupying parts of the Far East will probably still exist by 1958.

10. The Soviet capabilities and the increases thereto set forth in this paper would result in a relative increase in Soviet capabilities vis-à-vis the United States and the Western democracies unless offset by factors such as the following:

a. The success of ERP.

b. The development of Western Union and its support by the United States.

c. The increased effectiveness of the military establishments of the United States, Great Britain, and other friendly nations.

d. The development of internal dissension within the USSR and disagreements among the USSR and orbit nations.

11. The USSR has already engaged the United States in a struggle for power. While it cannot be predicted with certainty whether, or when, the present political warfare will involve armed conflict, nevertheless there exists a continuing danger of war at any time.

a. While the possibility of planned Soviet armed actions which would involve this country cannot be ruled out, a careful weighing of the various factors points to the probability that the Soviet Government is not now planning any deliberate armed action calculated to involve the United States and is still seeking to achieve its aims primarily by political means, accompanied by military intimidation.

b. War might grow out of incidents between forces in direct contact.

c. War might arise through miscalculation, through failure of either side to estimate accurately how far the other can be pushed. There is the possibility that the USSR will be tempted to take armed action under a miscalculation of the determination and willingness of the United States to resort to force in order to prevent the development of a threat intolerable to U.S. security.

12. In addition to the risk of war, a danger equally to be guarded against is the possibility that Soviet political warfare might seriously weaken the relative position of the United States, enhance Soviet strength and either lead to our ultimate defeat short of war, or force us into war under dangerously unfavorable conditions. Such a result would be facilitated by vacillation, appeasement or isolationist concepts in our foreign policy, leading to loss of our allies and influence; by internal disunity or subversion; by economic instability in the form of depression or inflation; or by either excessive or inadequate armament and foreign aid expenditures.

13. To counter threats to our national security and to create conditions conducive to a positive and in the long term mutually beneficial relationship between the Russian people and our own, it is essential that this government formulate general objectives which are capable of sustained pursuit both in time of peace and in the event of war. From the general objectives flow certain specific aims which we seek to accomplish by methods short of war, as well as certain other aims which we seek to accomplish in the event of war.

#### CONCLUSIONS

##### *Threats to the Security of the United States*

14. The gravest threat to the security of the United States within the foreseeable future stems from the hostile designs and formidable power of the USSR, and from the nature of the Soviet system.

15. The political, economic, and psychological warfare which the USSR is now waging has dangerous potentialities for weakening the

relative world position of the United States and disrupting its traditional institutions by means short of war, unless sufficient resistance is encountered in the policies of this and other non-communist countries.

16. The risk of war with the USSR is sufficient to warrant, in common prudence, timely and adequate preparation by the United States.

a. Even though present estimates indicate that the Soviet leaders probably do not intend deliberate armed action involving the United States at this time, the possibility of such deliberate resort to war cannot be ruled out.

b. Now and for the foreseeable future there is a continuing danger that war will arise either through Soviet miscalculation of the determination of the United States to use all the means at its command to safeguard its security, through Soviet misinterpretation of our intentions, or through U.S. miscalculation of Soviet reactions to measures which we might take.

17. Soviet domination of the potential power of Eurasia, whether achieved by armed aggression or by political and subversive means, would be strategically and politically unacceptable to the United States.

18. The capability of the United States either in peace or in the event of war to cope with threats to its security or to gain its objectives would be severely weakened by internal developments, important among which are:

a. Serious espionage, subversion and sabotage, particularly by concerted and well directed communist activity.

b. Prolonged or exaggerated economic instability.

c. Internal political and social disunity.

d. Inadequate or excessive armament or foreign aid expenditures.

e. An excessive or wasteful usage of our resources in time of peace.

f. Lessening of U.S. prestige and influence through vacillation or appeasement or lack of skill and imagination in the conduct of its foreign policy or by shirking world responsibilities.

g. Development of a false sense of security through a deceptive change in Soviet tactics.

#### *U.S. Objectives and Aims vis-à-vis the USSR*

19. To counter the threats to our national security and well-being posed by the USSR, our general objectives with respect to Russia, in time of peace as well as in time of war, should be:

a. To reduce the power and influence of the USSR to limits which no longer constitute a threat to the peace, national independence and stability of the world family of nations.

b. To bring about a basic change in the conduct of international relations by the government in power in Russia, to conform with the purposes and principles set forth in the UN charter.

In pursuing these objectives due care must be taken to avoid permanently impairing our economy and the fundamental values and institutions inherent in our way of life.

20. We should endeavor to achieve our general objectives by methods short of war through the pursuit of the following aims:

*a.* To encourage and promote the gradual retraction of undue Russian power and influence from the present perimeter areas around traditional Russian boundaries and the emergence of the satellite countries as entities independent of the USSR.

*b.* To encourage the development among the Russian peoples of attitudes which may help to modify current Soviet behavior and permit a revival of the national life of groups evidencing the ability and determination to achieve and maintain national independence.

*c.* To eradicate the myth by which people remote from Soviet military influence are held in a position of subservience to Moscow and to cause the world at large to see and understand the true nature of the USSR and the Soviet-directed world communist party, and to adopt a logical and realistic attitude toward them.

*d.* To create situations which will compel the Soviet Government to recognize the practical undesirability of acting on the basis of its present concepts and the necessity of behaving in accordance with precepts of international conduct, as set forth in the purposes and principles of the UN charter.

21. Attainment of these aims requires that the United States:

*a.* Develop a level of military readiness which can be maintained as long as necessary as a deterrent to Soviet aggression, as indispensable support to our political attitude toward the USSR, as a source of encouragement to nations resisting Soviet political aggression, and as an adequate basis for immediate military commitments and for rapid mobilization should war prove unavoidable.

*b.* Assure the internal security of the United States against dangers of sabotage, subversion, and espionage.

*c.* Maximize our economic potential, including the strengthening of our peace-time economy and the establishment of essential reserves readily available in the event of war.

*d.* Strengthen the orientation toward the United States of the non-Soviet nations; and help such of those nations as are able and willing to make an important contribution to U.S. security, to increase their economic and political stability and their military capability.

*e.* Place the maximum strain on the Soviet structure of power and particularly on the relationships between Moscow and the satellite countries.

*f.* Keep the U.S. public fully informed and cognizant of the threats to our national security so that it will be prepared to support the measures which we must accordingly adopt.

22. In the event of war with the USSR we should endeavor by successful military and other operations to create conditions which would permit satisfactory accomplishment of U.S. objectives without a pre-

determined requirement for unconditional surrender. War aims supplemental to our peace-time aims should include:

a. Eliminating Soviet Russian domination in areas outside the borders of any Russian state allowed to exist after the war.

b. Destroying the structure of relationships by which the leaders of the All-Union Communist Party have been able to exert moral and disciplinary authority over individual citizens, or groups of citizens, in countries not under communist control.

c. Assuring that any regime or regimes which may exist on traditional Russian territory in the aftermath of war:

(1) Do not have sufficient military power to wage aggressive war.

(2) Impose nothing resembling the present iron curtain over contacts with the outside world.

d. In addition, if any bolshevik regime is left in any part of the Soviet Union, insuring that it does not control enough of the military-industrial potential of the Soviet Union to enable it to wage war on comparable terms with any other regime or regimes which may exist on traditional Russian territory.

e. Seeking to create postwar conditions which will:

(1) Prevent the development of power relationships dangerous to the security of the United States and international peace.

(2) Be conducive to the successful development of an effective world organization based upon the purposes and principles of the United Nations.

(3) Permit the earliest practicable discontinuance within the United States of wartime controls.

23. In pursuing the above war aims, we should avoid making irrevocable or premature decisions or commitments respecting border rearrangements, administration of government within enemy territory, independence for national minorities, or post-war responsibility for the readjustment of the inevitable political, economic, and social dislocations resulting from the war.

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811.20/12-148

*The Secretary of Defense (Forrestal) to the President*

SECRET

WASHINGTON, 1 December 1948.

DEAR MR. PRESIDENT: In accordance with the instructions contained in the memorandum of July 16, 1948 from the Director of the Bureau of the Budget,<sup>1</sup> I have today made a formal submittal of a proposed national security budget, calling for new obligational authority within

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<sup>1</sup> Not found in the files of the Department of State.

the tentative ceiling figure of 15 billion dollars, details of which have been forwarded to the Bureau of the Budget over the past several weeks. The tentative ceiling of 15 billion dollars included approximately 600 million dollars for other items—as, for example, the 525 million dollars for stockpiling funds to be appropriated to the Treasury Department—leaving a net amount of 14.4 billion dollars for military activities of the National Military Establishment.

As I have previously informed you orally, the Joint Chiefs of Staff do not believe that our national security can be adequately safeguarded with the forces which can be maintained under this 14.4 billion dollar budget. It is their recommendation that forces are needed which would require that an amount approximating 23 billion dollars be appropriated for the maintenance of our national security during fiscal year 1950.

For purposes of ready comparison, the military strengths that can be maintained under the 14.4 billion figure and under the 23 billion figure can be summarized as follows:

	<i>14.4 Budget</i>		<i>23 Budget</i>	
Army	677,000 men	10 divisions	800,000 men	12 divisions
Navy (including Marines)	527,000 men	287 combatant ships	662,000 men	382 combatant ships
Air Force	412,000 men	48 groups	489,000 men	70 groups
	Limited procurement		Relatively substantial procurement for regular, reserve and Natl. Guard forces	
	Nominal reserve forces		Strong reserve and Natl. Guard forces	
	Restrictive maintenance standards		Normal maintenance standards, plus some previously deferred maintenance	

I have, as you know, devoted a number of months to a most thorough and detailed study of the military budget for 1950. It is my profound conviction that the budget which you should recommend to the Congress falls somewhere between the extremes of the 14.4 billion figure, which represents the tentative fiscal limitation contained in the July 16 memorandum, and the 23 billion figure which is based on the forces recommended to me by the Joint Chiefs of Staff.

In the light of existing international conditions, in the light of the impact of rising prices on the Military Establishment, and after giving long and serious consideration to the fiscal impact of national security requirements and to the effect of such requirements on scarce materials and civilian production, it is my belief that you should recommend to the Congress a national security budget for military activities in the amount of 16.9 billion dollars.

The Joint Chiefs of Staff have unanimously agreed on the increase in the forces that should be maintained by each Service, and the funds



needed by each Department to support such forces, if a budget of 16.9 billion should be enacted—but the Joint Chiefs of Staff do not consider that the forces provided by such a budget will furnish the strength necessary for our national defense under present international conditions. However, after taking into account the fiscal and economic impact on the country of additional appropriations for military purposes, I do not believe I can conscientiously recommend a budget larger than 16.9 billion, unless the international situation should become more serious.

While the 16.9 budget is closer to Mr. Webb's<sup>2</sup> figure of 14.4 than it is to the Joint Chiefs' figure of 23, I believe that this intermediate amount will permit us to so arrange our plans that we can obtain a maximum benefit from funds provided for military activities—with the result that strength figures under this 16.9 billion budget (as worked out by the Joint Chiefs of Staff) will be as follows:

Army	800,000 men	12 divisions
Navy (including Marines)	580,000 men	319 combatant ships
Air Force	460,000 men	59 groups
	Reasonably adequate procurement.	
	Maintenance standards near normal levels.	
	Reasonably adequate reserve and National Guard forces.	

I want to emphasize that all three of these budgets which are outlined in some detail in the attachment are based on mutual support of the Services by one another—part of the strength of each of the Services representing forces which must be maintained in order to make possible the effective utilization of forces of another Service.

The attachment which I enclose<sup>3</sup> spells out in some detail the strengths which can be maintained under the three budgets I have mentioned. The strength of the different forces and the implications of each have a very definite impact on the strategic concepts which would be utilized in any war situation. As I have indicated to you orally, I stand ready, along with the Departmental Secretaries and the Joint Chiefs of Staff to give you an oral presentation on just what each of these three budgets means when translated into terms of our ability to protect throughout the world the interests of the United States.<sup>4</sup>

The Secretary of State has authorized me to state that the forces provided by the budget I am recommending would provide a military

<sup>2</sup> James E. Webb, Director of the Bureau of the Budget.

<sup>3</sup> Not printed.

<sup>4</sup> The oral presentation occurred at the White House on December 9. President Truman was not convinced of the advisability of expanding the military budget (Millis, *Forrestal Diaries*, p. 536). For text of the President's budget address to Congress for Fiscal 1950, January 10, 1949, see *Public Papers of the Presidents of the United States: Harry S. Truman, 1949* (Washington, Government Printing Office, 1964), p. 44.

posture and state of readiness better calculated, during the difficult diplomatic negotiations that lie ahead, to instill the necessary confidence in democratic nations everywhere than would the reduced forces in a more limited budget.<sup>5</sup>

Sincerely,

JAMES FORRESTAL

<sup>5</sup> On December 1, by telephone, Secretary of the Army William H. Draper, Jr., solicited and obtained the agreement of Acting Secretary of State Lovett for inclusion of this final paragraph.

811.30/12-648

*The Secretary of the Navy (Sullivan) to the Secretary of State*

TOP SECRET

WASHINGTON, December 6, 1948.

MY DEAR MR. SECRETARY: The uncertainties engendered by the existing world situation are such as to cause concern over the possibility of another "Pearl Harbor".

The Navy has unavoidable normal peace time concentrations of Reserve and Active Fleet vessels in the Reserve Fleet Berthing Areas and at the main "home port" operating bases which are vulnerable to surprise attack.

The types of attack on these concentrations of our naval vessels considered to be within present Soviet capabilities are:

(a) *Surprise air attack by long-range bombers from land bases*—The Reserve Berthing Areas in the Bremerton-Tacoma Area are estimated to be within range of Soviet long-range bombers operating from fields which it is estimated the Soviets have the capability of developing in the East Cape Area of Siberia. In the Bremerton-Tacoma Reserve Berthing Areas are 5 battleships, 6 carriers, 14 cruisers and 28 escort carriers berthed in close proximity.

(b) *Sabotage in inactivated vessels or in industrial facilities required for their reactivation*—There is considered to be, under peace time operating conditions, the possibility of sabotage at all Reserve Fleet concentrations, and, to a lesser extent, in Active Fleet units.

(c) *Surprise submarine attack*—Concentrations of major units of the Active Fleet at their normal "home port" anchorages are considered to present worth while targets which are vulnerable to submarine attack, especially so to attack by midget submarines specially designed for that purpose.

The measures now being taken by the responsible Fleet Commanders to safeguard our ships provide security watches capable of meeting anticipated emergencies, and guarding against sabotage and surprise attack to a limited extent. It is impossible to extend the scope of these measures to guard effectively against surprise attack without disrupting normal Fleet upkeep and training routine and causing public alarm.

To guard effectively our concentrations of naval vessels against surprise attack would require the continuous maintenance of an air early warning and fighter interceptor alert; and the protection of our harbors by air and surface patrols, netting, mining, installing and operating Harbor Entrance Control Posts and underwater detection devices. To insure against sabotage all visiting to naval vessels and to those naval activities whose facilities are required for the rapid reactivation of the Reserve Fleet should be prohibited.

The serious impact of the implementation of such stringent measures as those outlined above upon the public peace of mind and upon the capabilities of the Naval Establishment to maintain essential training and upkeep schedules within the limitations of a peace time budget are obvious.

The Navy Department would appreciate greatly advice as to whether the State Department believes that there is sufficient likelihood of surprise attack, under the existing international conditions, to warrant effecting now the stringent measures outlined above to effectively guard our Fleets against such an attack, regardless of the consequent public alarm.

Sincerely yours,

JOHN L. SULLIVAN

811.30/12-648

*The Acting Secretary of State to the Secretary of the Navy (Sullivan)*

TOP SECRET

WASHINGTON, December 20, 1948.

DEAR MR. SECRETARY: I have received your letter of December 6<sup>1</sup> in which you inquire whether this Department believes that there is sufficient likelihood of a surprise attack against concentrations of naval vessels in United States ports to warrant effecting now stringent precautionary measures.

As the intelligence available to the Secretary of State concerning world events is substantially the same as that which is available to the President and to the other National Security Council members, judgments involving an estimate of future developments affecting the National defense would seem to be properly ones for the National Security Council as a whole. With this explanation, I should like to set forth the following points which I believe are pertinent to your inquiry:

1. Attacks of the sort described in your letter would not likely be launched against concentrations of our naval vessels unless the Soviet Government had decided to start a third world war, and there is as yet no evidence that Soviet intentions run toward launching a sudden

<sup>1</sup> *Supra.*

military attack on the Western nations at this time. It would not be in character with the tradition or mentality of the Soviet leaders to resort to such a measure unless they felt themselves either politically extremely weak, or militarily extremely strong. I would invite your attention, in this connection, to NSC 20/2 of August 25, 1948, "Factors Affecting the Nature of the U.S. Defense Arrangements in the Light of Soviet Policies"<sup>2</sup> and despatch No. 315 of April 1, 1948, from the Embassy at Moscow, enclosing a report prepared by a joint intelligence group within that Mission.<sup>3</sup>

2. The events of the last few months and weeks do not appear to have changed anything in this situation, so far as evidences of Soviet intentions are concerned. However, it must be recognized that the Berlin situation is one which increases the risk of war, and accordingly the danger of sudden military developments. Furthermore, the wide attention and publicity being given to the project of a military alliance among Western countries may well increase Soviet nervousness and strengthen the arguments in Soviet councils of those, if there are any such, who favor preventive action before the military strength of the West can be further developed.

3. While generally improbable, it is not impossible that the Soviet Government should decide to take measures of the sort you have suggested. There is nothing entirely predictable, and nothing which can be completely excluded as a possibility, in the international behavior of a totalitarian regime.

Sincerely yours,

ROBERT A. LOVETT

<sup>2</sup> *Ante*, p. 615.

<sup>3</sup> For portions of this despatch, see *ante*, pp. 550-557.

840.20/12-2148

*Memorandum by the Joint Chiefs of Staff to the Secretary of Defense (Forrestal)*<sup>1</sup>

TOP SECRET

WASHINGTON, 21 December 1948.

Subject: Base Rights for the United States in Return for Military Aid to Foreign Nations.

Since the submission on 2 August 1948 of their memorandum to you regarding Over-all Examination of United States requirements for Military Bases and Base Rights,<sup>2</sup> the Joint Chiefs of Staff have given further consideration to this matter in the light of various international developments and of current emergency planning. They

<sup>1</sup> For Forrestal's letter of December 31 transmitting this memorandum to Under Secretary of State Lovett, see vol. III, p. 347.

<sup>2</sup> *Ante*, p. 603.

believe that the general trend of events makes it more important than ever that needed bases and base rights be obtained to the fullest extent that may be practicable and without avoidable delay.

The Joint Chiefs of Staff have also become increasingly aware of the inherent fact that lack of needed bases and base rights can, because of its limiting effect on the capabilities of our armed forces for both offensive and defensive operations, constitute an indirect but definite and possibly very great weakening of the National Military Establishment. Thus, it is apparent that the degree of success that may be had in negotiations for base rights can be a factor of perhaps momentous influence with respect to budgetary dividends in terms of expenditure effectiveness, in planning, in actual war strategy, and even on both the length and the outcome of war.

At the same time, the Joint Chiefs of Staff recognize that the diplomatic problems of negotiations for base rights are both difficult and time-consuming and that their complexities and obstacles have made it impossible to date to arrive at successful solution in many cases. But, since the military implications of the situation are so pronounced, the Joint Chiefs of Staff offer the suggestion that both success and speed might be served to an important extent by use in negotiations of two points:

First, that it would be a wholly logical extension of mutual military aid for the recipients to make our *combat* aid in war emergency more effective by granting appropriate base rights;

Second, that it would, accordingly, seem appropriate that normally the granting of military aid should be coupled with negotiations for the consideration of United States base rights requirements.

While there may be overriding political considerations which would make it impracticable to adopt the above suggestion, the Joint Chiefs of Staff note that such a course is not without precedent and they believe that it has high potentialities in terms of its overall effect on our national security. If the principle of *quid pro quo* in the form of base concessions is favorably considered it would apply primarily to the members of Western Union and to those other countries who may become parties to the proposed North Atlantic Pact, since it is assumed that these countries will be the primary recipients of military aid and since they control many of the more important base rights that are required.

The Joint Chiefs of Staff consider that approval of this principle is in consonance with the broad principles approved by the President in NSC 14/1 (The Position of the United States with Respect to Providing Military Assistance to Nations of the Non-Soviet World)<sup>3</sup>

<sup>3</sup> July 1, p. 585.

which states in part that countries participating in military assistance programs should be encouraged so far as consistent with the progressive stabilization of their economies to compensate the supplying nation for the military assistance which they receive whenever and to what extent feasible.

With the foregoing discussion in mind, the Joint Chiefs of Staff will review the situation with respect to needed base rights and submit detailed recommendations regarding those applicable to their suggestion on advice from you that the second of the points listed above is accepted in principle.

For the Joint Chiefs of Staff:

WILLIAM D. LEAHY

*Fleet Admiral, U.S. Navy,*

*Chief of Staff to the*

*Commander in Chief of the Armed Forces*

## FOREIGN POLICY ASPECTS OF UNITED STATES DEVELOPMENT OF ATOMIC ENERGY <sup>1</sup>

Department of State Atomic Energy Files <sup>2</sup>

*Memorandum of Conversation, by Mr. Edmund A. Gullion, Special  
Assistant to the Under Secretary of State (Lovett)*<sup>3</sup>

TOP SECRET

[WASHINGTON,] January 7, 1948.

Participants: Senator Vandenberg,<sup>4</sup> Senator Hickenlooper,<sup>5</sup>  
The Under Secretary Mr. Lovett; Mr. John Derry of  
AEC,<sup>6</sup> and U: Mr. Gullion.

The Under Secretary reported, at the Senator's request, on the conclusion of negotiations with the British and Canadians with respect to the basis of cooperation among the U.S., the U.K., and Canada on atomic energy matters. The Under Secretary recalled that we had had the following objectives: (a) to terminate the secret wartime agreements<sup>7</sup> which appeared to place unwarranted restraints on our course of actions; (b) to secure a distribution of uranium ore more favorable to us; (c) to increase uranium supplies available to the U.S. in the

<sup>1</sup> Continued from *Foreign Relations*, 1947, vol. I, pp. 781-908. Documentation on United States policy with respect to the international control of atomic energy is included in material on regulation of armaments, Part I of this volume, pp. 311 ff. For documentation on U.S. national security policy, including information on procedural aspects of atomic weapons use policy, see pp. 507 ff. For additional information on U.S. atomic energy policy, see Richard G. Hewlett and Francis Duncan, *Atomic Shield, 1947-1952: A History of the United States Atomic Energy Commission*, vol. II (University Park, Pennsylvania: Pennsylvania State University Press, 1969).

<sup>2</sup> Lot 57D688, the Department of State consolidated lot file on atomic energy policy, 1944-1962.

<sup>3</sup> The formulation and execution of Department of State policy with respect to atomic energy was centralized in the Office of the Under Secretary under the direction of Gullion.

<sup>4</sup> Arthur H. Vandenberg, United States Senator from Michigan; Chairman of the Senate Foreign Relations Committee; Member of the Joint Committee on Atomic Energy.

<sup>5</sup> Bourke B. Hickenlooper, United States Senator from Iowa; Chairman of the Joint Committee on Atomic Energy; Member of the Senate Foreign Relations Committee.

<sup>6</sup> John A. Derry, Assistant to the General Manager of the United States Atomic Energy Commission.

<sup>7</sup> The agreements under reference were the following:

1) The "Articles of Agreement governing collaboration between the Authorities of the U.S.A. and U.K. in the matter of Tube Alloys [atomic energy research and development]," signed at Quebec by President Franklin D. Roosevelt and Prime Minister Winston S. Churchill, August 19, 1943. This document, which is known as the Quebec Agreement, *inter alia* established the Combined Policy Committee for the coordination of United States, United Kingdom, and Canadian

Footnote continued on following page.

future; (d) to remove misunderstandings among ourselves and the U.K. and Canada.

The State Department had been chiefly concerned from its point of view with winding up the ambiguous agreements; the Atomic Energy Commission had wished to ease a raw material shortage which threatened to curtail its operations.

Mr. Lovett showed to the senators the text of a draft minute of the Combined Policy Committee,<sup>8</sup> agreed among the U.S.-U.K. and Canada representatives, together with Combined Policy Committee documents establishing a formula for allocation of raw materials and for interchange of information of mutual benefit. The wartime agreements, except as they relate to requirement and other necessary functions, are terminated by mutual consent; the U.S. gets all production from the principal source for next two years; U.S. operating needs in future are assured; the U.K. stockpile in excess of minimum operating requirement will be progressively reduced to almost a fifth of its present size.

Senator Vandenberg expressed relief that the wartime agreements had been rescinded. He believed the State Department negotiations represented a considerable accomplishment, and that more had been obtained than he thought possible. He offered his congratulations to the Department. Senator Hickenlooper expressed a similar opinion and said he believed that the Joint Congressional Committee on Atomic Energy would be satisfied with the arrangements.

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Footnote continued from preceding page.

policy with respect to atomic energy. For text, see *Foreign Relations*, The Conferences at Washington and Quebec, 1943, p. 1117.

2) The Agreement and Declaration of Trust, signed by Roosevelt and Churchill, June 13, 1944; for text, see *Foreign Relations*, 1944, vol. II, pp. 1026-1028. This agreement established the Combined Development Trust, which operated under the direction of the Combined Policy Committee. Its main function was to secure control and insure development of uranium and thorium supplies located outside the jurisdiction of the United States, the United Kingdom, the Dominions, India and Burma.

3) The *aide-memoire* of conversation between Roosevelt and Churchill, September 18, 1944, known as the Hyde Park Agreement, which *inter alia* provided for continued cooperation after the war. For text, see *Foreign Relations*, The Conference at Quebec, 1944, p. 492.

4) The Memorandum signed by President Harry S. Truman, Prime Minister Clement R. Attlee, and Prime Minister William Lyon Mackenzie King, Washington, November 16, 1945, reaffirming the principle of full and effective United States-United Kingdom-Canadian cooperation in atomic energy matters. This document was known as the Memorandum of Intention; for text, see *Foreign Relations*, 1945, vol. II, p. 75.

5) The Memorandum by Leslie R. Groves, Commanding General, Manhattan Engineer District (the United States atomic energy development program) and Sir John Anderson, Chairman of the British Advisory Committee on Atomic Energy, to Robert P. Patterson, Chairman of the Combined Policy Committee (and United States Secretary of War), Washington, November 16, 1945. This document, known as the Heads of Agreement memorandum, recommended points for consideration by the Combined Policy Committee in preparation of a new document to replace the Quebec Agreement; for text, see *ibid.*, pp. 75-76.

<sup>8</sup> Of January 6, p. 683.



Mr. Derry said that, from the point of view of the Commission, the arrangement on raw materials was a good one, and that if it had not been obtained some of the operations of the AEC would have had to close down.<sup>9</sup>

<sup>9</sup> The AEC Commissioners met shortly after noon to consider the draft agreements discussed at the present meeting. The Commissioners' deliberations, culminating in approval after some two hours of discussion, are described in Hewlett and Duncan, pp. 283-284.

Department of State Atomic Energy Files

*Minutes of the Meeting of the Combined Policy Committee, at Blair House, Washington, D.C., January 7, 1948, 4 p. m.*

TOP SECRET

Present:

*Members*

The Under Secretary of State, Mr. Lovett (in the Chair)  
as alternate for the Secretary of State

The Secretary of Defense, Mr. Forrestal

The Chairman of the United States Atomic Energy Commission,  
Mr. Lilienthal

The British Ambassador, Lord Inverchapel

The Canadian Ambassador, Mr. Hume Wrong, as alternate for

Mr. C. D. Howe<sup>1</sup>

Sir Gordon Munro<sup>2</sup>

*By Invitation*

Mr. Pike<sup>3</sup>

Mr. Strauss<sup>4</sup>

Mr. Waymack<sup>5</sup>

Mr. Kennan<sup>6</sup>

Mr. Gross<sup>7</sup>

Mr. Volpe<sup>8</sup>

Mr. Heeney

Mr. Bateman<sup>9</sup>

Admiral Sir Henry Moore<sup>10</sup>

<sup>1</sup> Clarence Decatur Howe, Canadian Minister of Reconstruction and Supply; appointed Minister of Trade and Commerce, January 19, 1948.

<sup>2</sup> Minister, British Embassy.

<sup>3</sup> Sumner T. Pike, Member of the United States Atomic Energy Commission.

<sup>4</sup> Lewis L. Strauss, Member of the United States Atomic Energy Commission.

<sup>5</sup> William W. Waymack, Member of the United States Atomic Energy Commission.

<sup>6</sup> George F. Kennan, Director of the Policy Planning Staff, Department of State.

<sup>7</sup> Ernest A. Gross, Legal Adviser, Department of State.

<sup>8</sup> Joseph Volpe, Jr., of the Office of General Counsel, United States Atomic Energy Commission.

<sup>9</sup> George Bateman, former Canadian Member of the Joint Secretariat of the Combined Policy Committee.

<sup>10</sup> Head of the British Naval Mission in the United States; Member of the Combined Chiefs of Staff.

Mr. Makins <sup>11</sup>  
Mr. Peirson <sup>12</sup>  
Dr. Woodward  
Mr. Storke  
Mr. Eaton

*Secretariat*

Mr. Stone <sup>13</sup>  
Mr. Gullion  
Mr. Maclean <sup>14</sup>

I. *Minutes.*

The Committee approved the minutes of its meetings on December 10 <sup>15</sup> and December 15. <sup>16</sup>

II. *New basis of tri-partite cooperation.*

The Chairman stated that he was authorized to say on behalf of his Government that it intended to proceed on the basis of the *modus vivendi* which was before the Committee in regard to atomic energy problems of common concern to the governments of the United States, United Kingdom and Canada. He suggested that, if the Committee agreed, the *modus vivendi* should be included, as a matter of record, in the minutes of the meeting.

Lord Inverchapel stated that he was authorized by his Government to say that they also intended to proceed on the basis described by the Chairman.

Mr. Wrong stated that he also was authorized by his Government to say that it intended to proceed on this same basis.

The Chairman directed that these statements be recorded in the minutes, together with the *modus vivendi*. The latter is attached as Annex A.

III. *Raw Materials.*

On the proposal of the Chairman the Committee approved the report (attached as Annex B) of the Sub-group on raw material making recommendations for allocations in 1948 and 1949.

IV. *Technical cooperation.*

On the proposal of the Canadian Ambassador the Committee agreed that the report of the Subgroup on Technical Co-operation, <sup>17</sup> attached

<sup>11</sup> Roger M. Makins, Assistant Under Secretary of State, British Foreign Office; former Minister in the United States and member of the Joint Secretariat of the CPC.

<sup>12</sup> David E. H. Peirson, Assistant Secretary in the Headquarters Division of the British Ministry of Supply.

<sup>13</sup> Thomas A. Stone, Minister, Canadian Embassy.

<sup>14</sup> Donald D. Maclean, First Secretary, British Embassy.

<sup>15</sup> *Foreign Relations*, 1947, vol. I, p. 889.

<sup>16</sup> *Ibid.*, p. 897.

<sup>17</sup> *Ibid.*, p. 894.

to the minutes of the Committee's meeting of December 15 as Tab A, should come into effect.

V. *Areas of cooperation between members of the British Commonwealth.*

The British Ambassador suggested that the statement on this subject put forward by the U.K. Government (attached as Annex C) should be recognized.

Mr. Lilienthal asked whether he was right in thinking that, apart from the provision in para. 9(a) of the tri-partite agreement with the Belgian Government<sup>18</sup> and the arrangements proposed for recognition in Annex C, none of the CPC governments had any commitment to furnish information concerning atomic energy to any other country or persons. The Committee agreed that this was so.

The Committee approved the British Ambassador's proposal.

VI. *Standing Sub-group of scientific advisers.*

The British Ambassador proposed that a standing Sub-group of scientific advisers be set up in order to:

1. Implement the report of the Sub-group on Technical Cooperation which had just been declared to be in effect.
2. Keep other possible areas of information and experience under review.
3. Make recommendations from time to time to the CPC on the development of technical cooperation.

Mr. Lilienthal raised in this connection the interpretation of paragraph 6 of the *modus vivendi*. He pointed out that the subjects on the initial list of subjects for technical cooperation were necessarily rather widely defined and that separate topics in each of these areas would require consideration in the light of the laws of the three countries. It would not therefore be possible to give full discretionary authority to the U.S. member of the proposed standing Sub-group.

Mr. Makins said that it was well understood that the three members of the proposed Sub-group would be guided by the instructions of their respective national authorities, which in the case of the U.S. member would no doubt be the United States Atomic Energy Commission. It was his understanding that the Sub-group would not normally need to refer to the Combined Policy Committee, except in

<sup>18</sup> For the Memorandum of Agreement Between the United States, the United Kingdom, and Belgium Regarding Control of Uranium, September 26, 1944, see *Foreign Relations*, 1944, vol. II, pp. 1029-1030. Paragraph 9(a) read as follows:

"In the event of the Governments of the United States of America and of the United Kingdom deciding to utilize as a source of energy for commercial purposes ores obtained under this agreement the said Governments will admit the Belgian Government to participation in such utilization on equitable terms."

case of disagreement or difficulty in effecting cooperation, or for the purpose of seeking authority to add fresh areas of information and exchange.

The Committee approved the British Ambassador's proposal.

*VII. Concluding remarks.*

The British Ambassador said that the declarations made and decisions taken at the meeting inaugurated a new and hopeful chapter in the association of the three countries in atomic energy development. He expressed appreciation of the frank and helpful attitude which had been shown during the discussions and said that the U.K. members were deeply impressed by Mr. Forrestal's statement at the Committee's last meeting<sup>19</sup> that he regarded the United Kingdom and Canada as partners in the field of atomic energy. This was also their conception of the relationship which had just been established. The United Kingdom expected this partnership to develop and extend rapidly. Lord Inverchapel expressed the belief that, as its programme developed, the United Kingdom would have an increasingly useful contribution to make toward the work of the partnership.

Mr. Lovett expressed the appreciation of the U.S. members and of the United States Government of the parts played by the United Kingdom and Canada in reaching the new basis of understanding, which he believed was in the common cause. He also expressed his personal appreciation of the spirit and manner in which the discussions had been conducted.

The Canadian Ambassador expressed his belief that the understanding reached represented a considerable accomplishment. He too referred to the spirit in which the discussions had been conducted and expressed thanks to the Chairman for the part which he had played.

The meeting then adjourned.

R. GORDON ARNESON<sup>20</sup>  
for Edmund Gullion  
J[OHN] N. HENDERSON<sup>21</sup>  
for Donald D. Maclean  
G[EOGE] IGNIATIEFF<sup>22</sup>  
for Thomas A. Stone

<sup>19</sup> December 15, 1947.

<sup>20</sup> Adviser, United States Delegation to the United Nations Atomic Energy Commission.

<sup>21</sup> Second Secretary, British Embassy.

<sup>22</sup> Alternate Canadian Representative to the United Nations Atomic Energy Commission.

## [Annex A]

*Draft Agreement Between the Governments of the United States, the United Kingdom, and Canada*<sup>23</sup>

TOP SECRET

[WASHINGTON,] January 6, 1948.

MR. LOVETT: I am authorized to say on behalf of my government that it intends to proceed on the basis of the *modus vivendi* which is before us in regard to atomic energy problems of common concern to the governments of the United States, the United Kingdom, and Canada.

(here insert attached draft)

LORD INVERCHAPEL: I am authorized by government to say that they also intend to proceed on the basis just described by the Chairman.

AMBASSADOR WRONG: I am also authorized by my government to say that it intends to proceed on this same basis.

MR. LOVETT: I propose therefore that this *modus vivendi* be included in the minutes of this meeting.

## MODUS VIVENDI

1. All agreements between the three governments or any two of them in the field of atomic energy shall be regarded as null and of no effect, with the following exceptions:—

- (a) The Patent Memorandum of 1st October 1943 as modified by subsequent agreement on 19th September 1944 and 8th March 1945.<sup>24</sup>
- (b) The Agreement and Declaration of Trust dated 13th June 1944.<sup>25</sup>
- (c) The exchange of letters between the Acting Secretary of State and the British Ambassador of 19th and 24th September 1945,<sup>26</sup> concerning Brazil.
- (d) The agreed public Declaration by the President of the U.S., the Prime Minister of the U.K., and the Prime Minister of Canada of November 15, 1945.<sup>27</sup>

2. The Combined Policy Committee, already established, and subject to the control of the three governments, shall continue as an organ for

<sup>23</sup> This proposal was prepared in accordance with decisions taken by the Combined Policy Committee at its meeting of December 15, 1947. The drafting sub-committee consisted of Gullion and Volpe (United States), Peirson and Maclean (United Kingdom), and Ignatieff and Stone (Canada).

<sup>24</sup> The documents under reference, contained in the records of the Combined Policy Committee (Department of State Atomic Energy Files), are not printed. In regard to wartime patent arrangements, see Margaret Gowing, *Britain and Atomic Energy 1939-1945* (London, St. Martin's Press, 1964), pp. 244-245.

<sup>25</sup> See footnote 7, paragraph 2, p. 678.

<sup>26</sup> For texts, see *Foreign Relations*, 1945, vol. II, pp. 44 and 47-48.

<sup>27</sup> For text, see Department of State Treaties and Other International Acts Series (TIAS) No. 1504, or 60 Stat. (pt. 2) 1479.

dealing with atomic energy problems of common concern. The Committee shall consist of three representatives of the U.S., two of the U.K., and one of Canada, unless otherwise agreed.

3. The Committee shall *inter alia*:

- (a) Allocate raw materials in accordance with such principles as may be determined from time to time by the Committee, taking into account all supplies available to any of the three governments.
- (b) Consider general questions arising with respect to cooperation among the three governments.
- (c) Supervise the operations and policies of the Combined Development Agency referred to in paragraph 4 below.

4. The Combined Development Trust, created on the thirteenth of June, 1944, by the Agreement and Declaration of Trust signed by President Roosevelt and Mr. Winston Churchill, shall continue in effect except that it shall henceforward be known as the Combined Development Agency. Of the six persons provided for in Clause 1 (2) of the Declaration of Trust, three shall represent the United States, two the U. K. and one Canada.

5. The United States, the United Kingdom and Canada will, within the limits of their respective constitutions and statutes, use every effort to acquire control of supplies of uranium and thorium situated within their respective territories. The U. K. will, insofar as need exists, communicate with the Governments of the British Commonwealth for the purpose of ensuring that such Governments exercise control of supplies of uranium and thorium situated in their respective territories. The U. K. will consult with the Commonwealth Governments concerned with a view to encouraging the greatest possible production of uranium and thorium in the British Commonwealth, and with a view to ensuring that as large a quantity as possible of such supplies is made available to the U. S., U. K. and Canada.

6. It is recognized that there are areas of information and experience in which cooperation would be mutually beneficial to the three countries. They will therefore cooperate in respect of such areas as may from time to time be agreed upon by the CPC and insofar as this is permitted by the laws of the respective countries.

7. In the interest of mutual security, classified information in the field of atomic energy will not be disclosed to other governments or authorities or persons in other countries without due prior consultation.

8. Policy with respect to international control of atomic energy remains that set forth in the Three-Nation Agreed Declaration of November 15, 1945. Whenever a plan for the international control of atomic energy with appropriate safeguards which would ensure use of atomic energy for peaceful purposes only shall be agreed upon, and

shall become fully effective, the relationship of these countries in atomic energy matters will have to be reconsidered in the light thereof.

[Annex B]

*Draft Agreement Between the Governments of the United States, the United Kingdom, and Canada*<sup>28</sup>

TOP SECRET

[WASHINGTON,] January 7, 1948.

ALLOCATIONS

1. The agreed objective is the maintenance of the U.S., U.K. and Canadian minimum programs with reasonable pipeline and reserve stocks.

2. In 1948 and 1949 all supplies available from the Belgian Congo will be allocated to the U.S., subject to Par. 4 below.

3. In 1948 and 1949, if supplies additional to those which will flow from existing sources are required to maintain the U.S. minimum program, they will be provided, subject to Par. 4 below, from the unprocessed and presently unallocated supplies now in the United Kingdom, according to the following arrangements:

a. The U.S. requirement is 2547 tons in 1948 and 2547 in 1949, including capital charge of 370 tons for one pile in each year, a pipeline stock of 2800 tons and a reserve stock of 2547 tons throughout 1948, diminishing to 2176 tons at the end of 1949.

b. The U.K. requirement to the end of 1949 is as follows—capital charge for two piles 600 tons, pipeline stock of 770 tons, reserve stock of 660 tons.

c. At the end of each quarter a balance will be struck and submitted to the CPC. If the reserve stock in the U.S.A. is below the agreed minimum, an amount equivalent to the deficit will be earmarked from the unallocated and unprocessed stocks in the U.K. At the end of the third quarter in 1948 and 1949, a review of the situation will be made by the CPC in the light of the current position and the prospective shipments in the fourth quarter of each year. In striking this balance supplies will be taken into account which are in transit from the port of shipment. Should stocks at any time before the end of the third quarter fall below seven months supply, emergency shipments to safeguard continued operation will be made.

d. According to the result of this review a shipment will be made or earmarked supplies will be released as the case may be. A similar arrangement will apply in due course in respect of the U.K. program.

<sup>28</sup> This proposal was prepared by a subcommittee established by the Combined Policy Committee at its meeting of December 15, 1947. The subcommittee consisted of Kennan and Carroll Wilson, General Manager of the United States Atomic Energy Commission (United States); Munro and Makins (United Kingdom), and Wrong and Stone (Canada); its discussions are described in Hewlett and Duncan, pp. 281-282.

e. From its allocation during 1948 and 1949, the U.S. will furnish metal to Canada as required for the Canadian program in amounts not to exceed the equivalent of 20 tons of U-308 per year.

f. It is understood that when depleted sludges are available for re-use the quantities thrown up should be taken into account.

4. An immediate review of these arrangements may be requested by any of the three governments:

a. If the total unallocated supplies seem likely to be insufficient to support the agreed programs or alternatively to be materially in excess of the estimates contained in Tab B annexed to the minutes of the Combined Policy Committee meeting of December 15, 1947;<sup>29</sup> or

b. In the event of a state of emergency; or

c. In the event of a change of circumstances bringing about a substantial alteration in the relationships established at this time by the Combined Policy Committee.

[Annex C]

*Statement Submitted by the United Kingdom Members*

TOP SECRET

[WASHINGTON, January 7, 1948.]

AREAS OF CO-OPERATION BETWEEN MEMBERS OF THE BRITISH  
COMMONWEALTH

Apart from the arrangements which already exist between the United Kingdom and Canada, the question has arisen of co-operation between the United Kingdom and other members of the British Commonwealth.

2. As a part of the combined effort during the war years, assistance to the British atomic energy project was given by scientists from New Zealand, Australia and South Africa. Some of these have worked in Canada and some in United States and from there have moved to Harwell.<sup>30</sup> Several of them will shortly be returning to New Zealand and at a later stage—one year or more—there will be a similar return to Australia. It is intended to admit further scientists from these Dominions to work at Harwell.

The three C.P.C. governments are also actively co-operating with the Dominions in the field of raw materials. South Africa in particular is likely to become an important source of raw materials and is carrying out active work on beneficiation of ores. In due course South African interests may be expected to extend.

<sup>29</sup> Tab B is not printed.

<sup>30</sup> Reference is to the British atomic research and experimental establishment at Harwell, England.



3. With a view particularly to making secure the information held by Dominion scientists on their return to their respective countries, and of furthering full co-operation in the field of raw material investigation and supply, it is recommended that the areas of co-operation outlined below should be recognised:

- (a) The subjects covered in Sections I and II of the Proposed Declassification Guide which are listed as "Topics for immediate declassification"<sup>31</sup>
- (b) *The field of health and safety*, including
  - 1. Experimental work from which radiation tolerances may be established.
- (d)<sup>32</sup> *Detection of a distant nuclear explosion*. Operation of recording stations.
- (e) Survey methods for source materials.
- (f) Beneficiation of ores—co-operation with South Africa and with other Dominions of the work developed there.
- (g) Extraction of low grade ores—within the fields defined by the ores locally available.
- (h) *Design information on research reactors*.  
Design information on the low power graphite reactor built at Harwell (G.L.E.E.P.) to be communicated by U.K. to New Zealand. It is recognized that this information will be effectively available to the New Zealand Government on the return of its staff in early 1948.
- (i) *General research experience* with the following reactors:  
Harwell, G.L.E.E.P., to be communicated by U.K. to New Zealand.

4. Co-operation within the above classified fields will be subject to an understanding between Governments to adopt common standards in holding information secure. Transmission would also be subject to the principle of current usability.

<sup>31</sup> The Proposed Declassification Guide was developed during the United States-British-Canadian declassification conference held in Washington, November 14-16, 1947. Sections I and II were included as Appendix A of the report of the Combined Policy Committee's Subcommittee on Technical Cooperation, December 12, 1947; for the text of the report (Appendix A is not reproduced), see *Foreign Relations*, 1947, vol. I, p. 894.

<sup>32</sup> No paragraph "c" appears in the source text.

Department of State Atomic Energy Files

*The Belgian Ambassador (Silvercruys) to the Secretary of State*

[Translation]

WASHINGTON, January 19, 1948.

During the interview which you accorded him on October 3 last, the Prime Minister of Belgium explained to you personally the reasons

why he hoped that the agreements respecting uranium, concluded between the United States and Belgian governments during the war in London, might be made public and the counterpart stipulated in favor of Belgium in those agreements might be realized.<sup>1</sup>

On this occasion M. Spaak envisaged different methods which might be adopted in order to assure, within the framework of the accord cited and without risk to security, Belgian cooperation in the search for utilization and application of atomic energy for industrial purposes.

You were good enough to give him the assurance that the question would be taken under study immediately and that you would let him know the result.

The Prime Minister of Belgium has requested me to emphasize the value which he attaches to receiving a reply to his demarche. I take this occasion, Mr. Secretary, to renew to you the assurance of my high esteem.

SILVERCRUYS

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<sup>1</sup> For memorandum of conversation, see *Foreign Relations*, 1947, vol. I, p. 841.

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Department of State Atomic Energy Files

*Statement by the Under Secretary of State (Lovett) Before the Joint Congressional Committee on Atomic Energy, January 21, 1948*<sup>1</sup>

TOP SECRET

MR. CHAIRMAN—GENTLEMEN. I am pleased to be able to report to you that we have successfully concluded negotiations with the British and the Canadians with respect to cooperation in atomic energy matters.

You will recall that in these talks we had the following objectives: First, to terminate certain secret war-time agreements which appeared to place unwarranted restraints on our course of action. Second; to secure a redistribution of available uranium ore which would be more favorable to us; this meant that the stockpile in Britain had to be reduced and most of it dispersed outside the British Isles. Third; to insure an increase in the supplies of uranium available to the United States in the next few years, or at least until such time as new methods and techniques could reduce our dependence on imports; Fourth, to remove sources of misunderstanding and friction among ourselves and United Kingdom and Canada.

From its point of view the State Department's chief concern was to close out the anomalous war-time agreements in such a way as to

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<sup>1</sup> The file copy is titled "Mr. Lovett's remarks to JOCAE," and is labeled "draft." No other version of the Under Secretary's testimony has been found in the files of the Department of State.

preserve some basis for cooperation in procurement of raw materials; we especially wanted to get rid of some of the political overtones and commitments in these agreements, particularly such clauses as those which appeared to bind this country to consult with the United Kingdom before it could use the atom bomb.<sup>2</sup> For its part, the Atomic Energy Commission naturally addressed itself to the raw materials problem which was the heart of the negotiations. Mr. Lilienthal, Mr. Carroll Wilson, and his helpers worked out what I consider to be a very ingenious and satisfactory formula on raw materials which they will report to you.

I am happy to report that all the Departments represented in these negotiations—State, Defense, and the Commission—consider that we have attained our objectives; in fact, I think we have achieved more than we might have expected before the talks were begun, and certainly more than appeared possible after the first day of the talks.

First, as to the war-time agreements—these have been terminated by mutual consent except as they relate to procurement and other functions which all of us wish to see continue. All embarrassing political provisions such as that in the case of the bomb have been eliminated. This has been done informally but in a manner which clearly registers the intent of the participating governments. I have here a piece of paper, rather tentatively entitled a "*Modus Vivendi*" which is in the form of a Minute of a Meeting of the U.S.-U.K.-Canada Combined Policy Committee.

(This may be read or passed around—it is hoped not to have to distribute copies to each member.)

My legal advisers tell me that a *modus vivendi* is an informal arrangement which, in the United States, has not been considered to require Senatorial confirmation, and which is interim in character—that it is a means of operating, pending conclusion of a permanent international agreement which, in this case, would be a convention on international control of atomic energy. This device seems to suit our book. It has the merit of putting everything in one package, and yet is not a treaty, nor is it one of those mysterious under-cover arrangements of no definable status under which our atomic energy program was run during the war.

There are annexed to this paper, or minute, some reports of these sub-groups of the Combined Policy Committee which dealt with the question of interchange of information and with the allocation of raw materials. These reports record the agreements reached on these

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<sup>2</sup> Reference is to the Quebec Agreement, which specified that atomic weapons would not be used against third parties by the United States or the United Kingdom without the consent of the other.

subjects. They will be discussed more fully by the representatives of the Commission here present but, insofar as the State Department is concerned, I may say that *the paper on information* sets forth a pattern for interchange which is by no means disadvantageous to us; in fact it seems to be heavily loaded in our favor. We stand to learn more than we give. The criterion for exchange of information will be the degree to which such an interchange would promote the national security of this country in the terms of the Atomic Energy Act of 1946. There will be a permanent sub-committee to consider such interchange. Our representatives will be Dr. Vannevar Bush<sup>3</sup> and Dr. Fisk<sup>4</sup> of the Atomic Energy Commission. They will of course at all times be responsible to the Commission, the Defense Establishment, and the American Side of the Combined Policy Committee.

With respect to *raw materials* you will note that we will get *all of production* from the Belgian Congo for the next two years. We also get a quantity of 250 tons which was enroute to the United Kingdom. The formula for future allocation, which Mr. Wilson will explain, will assure our operating needs for the next few years.

When we started these negotiations the British had a stockpile on the order of 3200 tons. Under the arrangement which we have worked out, any idle stockpile in the United Kingdom in excess of a minimum operating requirement will be brought down to a small fraction of its present size. Moreover, I am impressed with the fact that the quantity which is to be removed from the United Kingdom under the operation of this formula will actually be available to our own use and not merely stored in Canada, or split up with Canada.

I think that this arrangement goes far toward satisfying a recommendation made by the Joint Chiefs of Staff in March of 1946 [1947] in the early stages of our consideration of the problem.<sup>5</sup> The Joint Chiefs stipulated that any disadvantage to the United States of the maintenance of an atomic energy program in the United Kingdom could be minimized if consumption were to balance imports and if the British stockpile were to be brought down to the lowest prudent reserve. I think that is what we have achieved.

When the British representatives arrived here to begin the talks it was apparent that they were under instructions from the British Cabinet not to agree to ship a single pound of the British stockpile. We were able to change their minds by laying on the table very frankly the facts of our situation and making it perfectly clear that no part

<sup>3</sup> Chairman of the Research and Development Board.

<sup>4</sup> Dr. James B. Fisk, Director, Research Division, United States Atomic Energy Commission.

<sup>5</sup> The views of the Joint Chiefs of Staff were conveyed to the Secretary of State in a letter from the Secretary of War and the Secretary of the Navy; for text, see *Foreign Relations*, 1947, vol. I, p. 798.

of the Western world could feel secure if the United States bomb production program was to be handicapped. Midway during the talks the British representatives went back to England to present the hard facts to their superiors. When they came back they were prepared to reach an agreement which will have the effect of taking uranium out of their country. Politically this must have been a hard decision for the British. I believe we all know just how difficult since uranium has come to have such a symbolic value, bound up with national prestige.

Finally, I should report that a genuine mutual comprehension and a remarkably good atmosphere was established in these talks with the British and Canadians. The Canadians sat on the same side of the table with the British and were scrupulous members of the British Commonwealth. Nevertheless, we know that they put in some good words for our side of the argument in London. I think it is very important that this atmosphere be maintained, and, for my part, I am very happy that now, as was not formerly the case, the U.S. position with respect to this cooperation has been taken with the knowledge of the individual members of this Committee, of the Joint Chiefs of Staff, and of the White House, and is broadly based on the combined judgment of all the executive departments concerned.

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655.6131/2-748 : Telegram

*The Chargé in Belgium (Millard) to the Secretary of State*

TOP SECRET

BRUSSELS, February 7, 1948—6 p. m.

274. For Under Secretary Lovett. Today conveyed to Spaak sense Deptel 177, February 5.<sup>1</sup> On subject first paragraph<sup>2</sup> he nodded but made no comment. Re draft letter (Embtel 223, February 2)<sup>3</sup> Spaak said he had telegraphed Belgian Embassy Moscow instructing Ambassador to inform Soviet Foreign Office that during war it was necessary assure to Allies material indispensable development atomic energy. With complete approval Belgian Government agreement was con-

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<sup>1</sup> Not printed.

<sup>2</sup> In the first paragraph of reference telegram, the Embassy was instructed to inform Spaak that the Department hoped to have a formal reply to the Belgian note of January 19 (p. 687) ready in about a week (855.646/2-548).

<sup>3</sup> In telegram 193, January 28, not printed, the Embassy had reported that the Belgian delegation recently returned from Belgo-Soviet trade negotiations in Moscow had exceeded its authority by agreeing to present to the Belgian Foreign Office a draft letter from the Belgian Ambassador in Moscow to the Soviet Ministry for Foreign Affairs stating that Belgium could not supply uranium to Russia in 1948, but would carefully examine the question with respect to 1949. Spaak had indicated that no such letter would be sent. (655.6131/12848)

Telegram 223, not printed, contained the text of the draft letter and reiterated Spaak's assurances that it would not be part of the final Belgian-Soviet agreement (655.6131/2-248).

cluded so that Congo uranium was placed at disposal US and UK. Agreement was still in force and Belgian Government had hoped that an international agreement for control atomic energy would be concluded under UN commission, when concluded Belgian Government would implement with appropriate legislation. Accordingly Belgian Government could not supply uranium to Soviets either in 1948 or 1949 and there was no question of examining matter of furnishing uranium to Soviets in 1949.

Asked if any new points contained in above reference to our agreement Spaak replied no, his instruction to Moscow had followed exactly his statement Parliament July 3 (see Embtel 1071, July 4).<sup>4</sup>

Though Spaak seemed disposed to drop matter there and turn other subjects I asked if he could give me some idea how misunderstanding arose. He recalled statement (Embtel 2034, December 24)<sup>5</sup> that when Russians first broached question he had replied Foreign Office would examine matter but in order avoid delay in negotiations Belgian Government felt discussions should be limited to subject of proposed agreement. (Department will recall that later in same telegram he stated one thing he did not wish to do was return a flat no.)

I asked whether Meers, Belgian delegate, requested instructions when proposal was made by Russians that Belgian Embassy send draft letter. Spaak said he did but that he did not await reply which was delayed in drafting and had acted "precipitately."

In order to keep conversation going this subject I inquired whether extreme secrecy regarding this question could have left Meers in doubt. Spaak replied this no justification, everyone knows importance uranium. He was also greatly displeased with Belgian Ambassador who should have known better than let Meers (whom Spaak called *fonctionnaire*) give way on point of such obvious importance.

Spaak said Meers had made exactly same mistake re tin.

Spaak thought uranium request was purely Soviet political maneuver and noted Soviets proposed letter be kept confidential. Spaak assumed Russians wanted letter to bring out some time later to use against US. Asked whom Meers dealt with he said Mikoyan,<sup>6</sup> who had handled Meers only too cleverly.

Spaak comment on Belgo-Soviet trade negotiations will be reported in separate telegram.

MILLARD

<sup>4</sup> For text, see *Foreign Relations*, 1947, vol. I, p. 825.

<sup>5</sup> Not printed.

<sup>6</sup> Anastas Ivanovich Mikoyan, Soviet Minister of Foreign Trade.

855A.6359/3-948: Telegram

*The Secretary of State to the Embassy in Belgium*

TOP SECRET

WASHINGTON, March 9, 1948—11 a. m.

348. Please deliver following communication to Spaak as my answer to questions raised by Belgian Ambassador here on January 19, 1948.<sup>1</sup>

"I have given very careful consideration to the questions which your Ambassador, Baron Silvercruijs, put to me on your behalf on January 19, 1948, and which were the subject of our conversation in October last in New York. It is my understanding that (in October at least) you believed that the agreements respecting uranium made between the United States, the United Kingdom and Belgium during the war might be made public; also that the time may now have arrived when Section 9a of the Agreement<sup>2</sup> would become operative. This provision of the Agreement provides for participation by the Belgian Government on equitable terms in the utilization of Belgian Congo ore when such ore is used as a source of energy for commercial purposes.

Although I appreciate the pressures to which you are subjected and agree that many details of the Agreement may already be known or inferred, I do not believe that it would be prudent to make a full disclosure now. For some time, and increasingly since October, the uncertainties of the world situation have required stringent security measures with respect to atomic energy development. If anything, it appears to me that controls should be increased rather than relaxed. A disclosure at this time would at the least stimulate speculation as to amounts and tempo of individual ore shipments, our degree of dependence on the Congo, and the relation of the Congo to the over-all procurement program. Out of such speculation some details might be deduced about our bomb production rates. It is just possible that some of the gaps in the Soviet Union's estimate of our position might be filled.

In any case a disclosure now would furnish the Soviet Union with certain propaganda opportunities. For example, our motives would be distorted to make it appear that we were backing the European Economic Cooperation plan to insure our supplies of uranium.<sup>3</sup>

Moreover, however fruitless it may be, the debate in the United Nations Atomic Energy Commission is still proceeding, and it would seem unwise to make any announcement prior to the submission of the Commission's Third Report<sup>4</sup> or possibly before discussion in the General Assembly.

<sup>1</sup> In telegram 514, March 12, Millard indicated that he had that day handed the message to Spaak, who "seemed satisfied." (840.00/3-1248)

<sup>2</sup> For text of Section 9a, see footnote 18, p. 681.

<sup>3</sup> For documentation on the diplomacy of the European Recovery Program, see vol. III, pp. 352 ff.

<sup>4</sup> United Nations, *Official Records of the Atomic Energy Commission, Third Year, Special Supplement, The Third Report of the Atomic Energy Commission to the Security Council, May 17, 1948*, hereafter cited as AEC, 3rd yr., *Special Suppl.*, or Department of State Publication 3179 (July 1948).

With respect to the fulfillment of Section 9a of the Agreement, I should like to assure you that the United States intends to give effect to the stipulations in favor of Belgium when the time comes. However, I am informed by the United States Atomic Energy Commission that we are now at a considerable distance from the point contemplated by that part of the Agreement. Moreover, in the absence of any agreement on the international control of atomic energy to insure its use for peaceful purposes only, the primary emphasis of the United States development program at the present time is on the use of ore for strategic purposes. Even if this were not so, there are, I understand, tremendous technical difficulties to be overcome before the use of atomic energy for industrial purposes can be accomplished on anything other than a token basis.

Since the signing of the Agreement referred to, the most significant developments, other than strategic, have been in the production and use of radioisotopes for scientific and medical research and therapy.

I believe that, in the spirit of our Agreement, Belgium could derive a special benefit from consultations with us on the use of these isotopes.

It is suggested that discussion among representatives of our two governments and selected technical personnel would be helpful in developing the means of sharing this type of benefit with you to the fullest possible extent within the limit prescribed by our law and common security. At the same time we should be able to give your representatives a clearer idea as to the nature and difficulty of some of the problems which must be solved before there is any prospect of the utilization of atomic energy for commercial purposes.

I believe I should, in all frankness, refer to one point which might present some difficulty. I am informed that some members of the Communist party occupy executive positions in the Belgian atomic research program. You can appreciate that as long as this is true it may make it somewhat harder to convince our people that an exchange of information is in the national interest. I believe, therefore, that when we hold the talks suggested, it would be advisable to have before us some description of any such persons known to you, and the positions they hold, so that we can consider what measures need be taken to insure security of information.

In conclusion I should like to renew to you my sincere appreciation of the steadfast manner in which you and the Belgian Government have cooperated in the execution of our agreements."

MARSHALL



Department of State Atomic Energy Files

*Memorandum by Mr. Edmund A. Gullion, Special Assistant to the Under Secretary of State (Lovett), to the Secretary of State*<sup>1</sup>

RESTRICTED

[WASHINGTON,] March 9, 1948.

MEMORANDUM FOR THE SECRETARY

Subject: Senator McMahon's<sup>2</sup> amendment to the Economic Cooperation Bill (S-2202)

*Facts Bearing on the Problem*

Section 15(b) of S-2202 provides for the conclusion of a series of bilateral agreements between the United States and participating countries as a condition precedent to their receiving assistance under the Act.

Senator McMahon has now offered the following amendment:

"(e) In addition to the provision required by subsection (b) to be included in agreements concluded with participating countries under this Act, there shall be included an undertaking by each such country to prohibit the exportation other than to the United States from such country of any commodity of which the exportation from the United States is (1) determined by the Secretary of State, the Secretary of Defense, and the Chairman of the Atomic Energy Commission, acting jointly, to be inconsistent with the national security, and (2) prohibited by or pursuant to the laws of the United States."

The Department of State has followed closely the drafting of all the Section 15 provisions in the Act with the object of insuring that they were reasonable and did not lay us open to the charge of economic imperialism or of using the Act to further selfish military or atomic designs. The McMahon amendment has those defects; and is unnecessary for the reasons expressed in the attached findings (Part A is restricted, Part B is Top Secret).

*Recommendations*

A. That the Secretary of State, the Secretary of Defense, and the Chairman of the Atomic Energy Commission consult together with a view to getting Senator McMahon to withdraw his amendment, for the reasons expressed in the attached findings.

B. If the amendment is not withdrawn, that these Departments express an opinion against it, either, (1) before the Foreign Relations

<sup>1</sup> The initials of the Secretary of State appear on the source text.

<sup>2</sup> Brien McMahon, United States Senator from Connecticut; ranking Democrat on the Joint Congressional Committee on Atomic Energy; author of the Atomic Energy Act of 1946, Public Law 585, 79 Congress, 60 Stat. 755-775 (the McMahon Act).

Committee or the Joint Committee on Atomic Energy or (2) by parallel letters to Senator McMahon and the Chairmen of the Committees.

### *Findings.*

The amendment proposed by Senator McMahon is undesirable. Some of the reservations to it may be expressed openly although with appropriate discretion (Part A); others (Part B<sup>3</sup>) involve reference to secret matters, and there is attached a Top Secret note with reference to these.

### Part A

#### *"Open Comments"*

The amendment is undesirable because:

1. It would appear to the ERP countries to involve an undertaking to surrender a large degree of control over their foreign trade. Although the amendment aims only at atomic energy materials, it could be interpreted to mean that all exports of all ERP countries were subject to a check imposed by this country. This seems to be a needless invasion of national sovereignty.

2. The countries most likely to be in a position to supply atomic equipment desired by Eastern Europe, other than fissionable material, would be Sweden and Switzerland. These countries would be particularly antagonized by such an amendment, conflicting, as it does, with their neutrality philosophy. Switzerland is participating in the program almost solely on the basis of Western unity. She will not receive any assistance under the Act; therefore, it is not clear that she would be required to enter into a bilateral agreement containing any conditions. Accordingly the amendment may not even touch Switzerland. Sweden derives relatively little benefit from the European Cooperation Act. It is conceivable that these countries would actually reject or limit participation in view of this amendment. If this should happen they would increase rather than diminish their trade with Eastern Europe.

3. In the European press and radio the Communists are saying that the Economic Cooperation Program is in reality a device by which the U.S. bargains relief of Europe, against a continuation of our atomic monopoly. Stipulations of the kind envisaged by the amendment would give powerful corroboration to Communist propaganda in Europe.

4. The amendment could be held to apply to a far wider range of items than those narrowly considered to be military; as drafted it would appear inconsistent with section 15(b)(3) which provides for

<sup>3</sup> *Post*, p. 699.

reducing trade restrictions among participating countries and other countries in the following terms:

"(3) cooperating with other participating countries in facilitating and stimulating an increasing interchange of goods and services among the participating countries and with other countries and cooperating to reduce barriers to trade among themselves and with other countries;"

5. The amendment would not produce the effect intended. The only materials the export of which is currently "prohibited" by law are fissionable materials within the meaning of the Atomic Energy Act of 1946; it is probable that the AEC even has authority to export these materials under certain conditions. There is no export prohibition in U.S. law on any material whatsoever; there is only a system of export control under which denial of export licenses is permissive. Therefore if prohibition of export under U.S. law is made the test by which exports from participating countries are to be controlled, then the security produced by the amendment is illusory. Moreover it makes no provision for that selective application for which the system in this country is designed. The latter is flexible: For example, under it commodities A, B, and C might be shipped to country X; however, only A and B could go to country Y; and to country Z, possibly neither A, nor B, nor C could go. The amendment would hinder the development of a strong, mutually-reinforcing, economic security bloc of ERP nations.

EDMUND A. GULLION

Department of State Atomic Energy Files

*Memorandum of Conversation, by Mr. Edmund A. Gullion, Special Assistant to the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] March 9, 1948.

Subject: Senator McMahon's amendment to S-2202

Participants: Senator McMahon  
Mr. Bohlen, Counselor  
U—Mr. Gullion

Mr. Gullion showed to the Senator parts A and B of the attached memorandum.

Mr. Bohlen emphasized to the Senator that the chief danger presented by the amendment was the possibility that it might cause Sweden and Switzerland to reject or limit their participation in the economic cooperation plan.

These were the very countries to which the Soviet Union might look for manufactured equipment of a possible atomic energy application;

the Soviets could get little of this material elsewhere in Europe. Satisfactory agreements were already in existence covering disposition of any ore controlled by the ERP countries.

The Senator thought that it might be a good idea to force the issue in order to alert Europe as well as the Russians to the importance we attach to preventing the exportation of anything to Russia capable of increasing its potential in atomic weapons.

Mr. Bohlen doubted the amendment would have that effect. It would, however, strengthen Communist parties and propaganda in Europe. The Senator discounted the importance of any contribution made to Communist propaganda which he explained would be as violent and as untruthful no matter what we did. Mr. Bohlen explained that a matter of timing was involved. Once a basis of economic cooperation was established, and efforts toward European unity were thereby assisted and given a surer base, the time would come for undertaking in concert measures of general economic defense against the Soviet Union, taking into account requirements of east-west trade. The position of the western powers would be stronger; they could exploit their advantage of being considerably less dependent on eastern imports than the east was on the west.

Mr. Gullion explained the contents of some of our existing agreements and the degree to which they achieved, or set a pattern for the achievement of the objectives desired by Senator McMahon. He described some of the efforts which had been made to draft some alternative language, and the difficulties of including any such language in the ECA bill. Mr. Bohlen explained that the objections which the Department had to the bill were of such nature that they could not very well be discussed openly on the floor. For that reason, if the amendment were to be offered, the Secretary and others thought it ought to be discussed in committee or executive session.

At the close of the interview Senator McMahon indicated that he might not press the amendment.<sup>1</sup> He would consider the matter further and think what he might give as a reason for renouncing the effort. Mr. Bohlen said that if there was any way in which the Department could help, it would be glad to do so.

[Annex 1]

[Here follows a memorandum by Gullion to Marshall headed "Part A" and dated March 9. Its text is identical with that of "Part A" of Gullion's memorandum to Marshall, *supra*.]

<sup>1</sup> Senator McMahon withdrew the amendment before it came to a vote in the Senate.

[Annex 2]

*Memorandum by Mr. Edmund A. Gullion, Special Assistant to the Under Secretary of State (Lovett), to the Secretary of State*<sup>1</sup>

TOP SECRET

[WASHINGTON,] March 9, 1948.

MEMORANDUM FOR THE SECRETARY

Subject: Senator McMahon's amendment to the Economic Cooperation Bill (S-2202)

Part B

In summary, the amendment is undesirable because it may well cause the very countries, i.e., Sweden and Switzerland, in a position to supply the Soviet Union with materials other than atomic ores and who receive relatively little or no aid under the Act, to limit or reject participation in the Economic Cooperation plan; on the other hand the amendment is not necessary for the other ERP countries. As explained below, we either already have satisfactory agreements with respect to the disposition of ores controlled by them, they are not in a position to contribute, or would not contribute other materials to the Soviet program, and we have at all times a powerful lever on them through our ability to cut off aid under the Act. The amendment would only needlessly trouble our relations with these countries.

A. We already have agreements with, or satisfactory assurances from, the U.K., Sweden, Belgium, and the Netherlands with respect to disposition of ores known to be controlled by ERP countries. The British are negotiating another agreement with Portugal which we would share. The U.K. policy toward export of items related to atomic energy, other than fissionable materials, is generally similar to our own, and in any respect where it differs significantly we believe it can be brought into line through the operation of existing consultative machinery, without resort to pressure or *quid pro quo* stipulations in the Act.

B. Sweden derives relatively small benefit from the Economic Cooperation Act; she has, however, agreed to inform us of any orders for equipment or material which might have possible atomic energy application. We have evidence that she will refuse to fulfill orders when we so recommend. It is altogether possible that the same arrangement can be concluded with the other ERP countries, including most importantly Switzerland. The Act gives us no strings on the latter country which receives no aid. Consequently the suggested amendment would, if anything, only irritate the Swiss and lessen our chances of getting the kind of undertaking we want from her. So far as the other ERP

<sup>1</sup> Secretary Marshall's initialled "OK" appears on the source text.

countries are concerned, the aid extended by us (which we can cut off at will) would be a powerful lever in the discussions. Such a separate approach would be a better way of obtaining the objectives envisaged by the proposed amendment, than making the tie-up in the ECA legislation itself; or such arrangements could be discussed in the framework of Western European efforts toward a closer union.

C. Belgium. The amendment would be particularly offensive to Belgium on whom we are chiefly dependent for our raw materials and who has only recently firmly rejected Soviet pressure for a uranium understanding. It would appear as an attempt to gain an advantage beyond that already secured to us by existing commitments given and taken in good faith. The position of the Belgian Government would be weakened vis-à-vis both the extreme nationalist and the Communist element. A change of government in Belgium would jeopardize our whole atomic energy ore procurement program.

D. The discussion of this amendment in countries with whom we have secret agreements would present security risks.

E. The amendment gives opportunities to Soviet propaganda which we have hitherto sought to avoid by keeping words like "strategic" or "military" or "atomic" out of the bill.

EDMUND A. GULLION

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Department of State Atomic Energy Files

*Memorandum of Conversation, by Mr. Edmund A. Gullion, Special Assistant to the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] March 19, 1948.

Mr. Maclean called to see me and stated that he had a communication to make which would probably have been delivered by the Ambassador to the Secretary or Mr. Lovett had either been in town.

He stated that he was directed to inform the Department that since the beginning of last year United Kingdom had been engaged on research and development work in atomic weapons. This work was carried on, not by the usual organizations charged with scientific development or experiments in weapons, but by a special section of the Ministry of Supply under Lord Portal.<sup>1</sup> The time had now come when the U.K. planned to let it be known publicly that such activity was going forward. The British believed that was necessary and desirable because:

A. The work had now reached the stage where security might be endangered by uncontrolled speculation as to what was being done.

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<sup>1</sup> Lord Portal of Hungerford, British Chief of Air Staff, 1940-1945.

B. It was becoming increasingly difficult to keep completely secret.

C. The present complete secrecy was handicapping prosecution of the work.

Consequently the British planned to announce casually, possibly in response to a planned press question, that the U.K. was developing modern post-war weapons including atomic weapons.<sup>2</sup> This statement would only be made following a consultation between the authorities responsible for atomic weapons with a special press committee. The British believe that this consultation would insure against further embarrassing questions from the press and would restrict speculation to a minimum. In the unlikely event that this result did not appear obtainable, the British might defer making the projected indirect disclosure.

The Canadians as well as ourselves are being informed. The British did not appear to expect comments from us, but merely wanted to put us on notice.

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<sup>2</sup> Secretary of Defense Forrestal received similar notification from Admiral Sir Henry Moore on March 31 (Walter Millis (ed.), *The Forrestal Diaries* (New York: Viking Press, 1951), pp. 406-407.) The contemplated announcement was made on May 12 by A. V. Alexander, Minister of Defence, in answer to a question in the House of Commons (*Parliamentary Debates*, House of Commons, May 12, 1948, vol. 450, cols. 2128-2129.)

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711.329/3-2448: Telegram

*The Secretary of State to the Embassy in Brazil*

TOP SECRET

WASHINGTON, March 24, 1948—11 a. m.

238. ReDeptel 1302 Nov. 21.<sup>1</sup> Dept and AEC anticipate that failure of Brazilians thus far to confirm renewal of agreement under our option means they have important reserves about it or its terms.<sup>2</sup>

Unless early reply indicated please inform Brazilians that this Govt would appreciate confirmation agreement is now extended for further three years following our notice of exercise of option privileges. You may point out that a second contractual period begins next July. Before then any review of prices, quantities, etc., as envisaged by Emb's note of Nov. 14, 1947,<sup>1</sup> should be completed. If Brazilians wish discuss these matters we would appreciate their suggesting a date.

For Emb's info and with reference suggestions for formulation of US policy on those specific points (Emb's despatch 3002, Nov. 4, 1947<sup>1</sup>)

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<sup>1</sup> Not printed.

<sup>2</sup> For text of the Memorandum of Agreement between the Governments of Brazil and the United States with respect to the control of monazite sands and other carriers of thorium and thorium compounds, signed in Rio de Janeiro, July 6, 1945, see *Foreign Relations*, 1945, vol. II, pp. 20-23.

it is planned to discuss these matters fully in instructions outlining position to be taken by US in expected forthcoming negotiations.

MARSHALL

Department of State Atomic Energy Files

*Memorandum by Mr. Edmund A. Gullion to Lieutenant Colonel Charles H. Bonesteel, III<sup>1</sup>*

SECRET

[WASHINGTON,] March 24, 1948.

Subject: Beryllium and Thorium Materials in Connection with the European Recovery Program

I note that despatch #223 from Buenos Aires, dated March 11, 1948, made in response to a Departmental circular inquiry includes beryl ore among the materials which might be available for export to European countries in connection with the ERP.<sup>2</sup> For your information and those who will be responsible for programming for ERP under the Administrator, I wish to review generally the current policies of the U.S. Government with respect to beryllium materials and to make further comments relating to thorium-bearing and other "source" materials in connection with the recovery program.

### *Beryllium Materials*

Beryl and beryllium materials are considered of great importance to the national security of the United States, because of their strategic importance and also because beryllium materials are important accessories in the production of atomic energy.\* In view of these factors the following programs are being conducted:

1. Attempts are being made to maximize imports of beryl ore into the United States during the next several years.
2. Exports of beryllium materials produced in this country are being licensed for export in small amounts only after careful investigation of the end uses contemplated by the foreign consumers to whom the materials are consigned.
3. This Government prefers to discourage the processing of beryl into beryllium compounds in foreign countries because of the obvious lessening of control over the ultimate destination of the beryllium content of the materials.

<sup>1</sup> Special Assistant to the Under Secretary of State; overall coordinator of Department of State activities relating to European economic recovery.

<sup>2</sup> Neither document is printed. The circular telegram, March 4, instructed American Diplomatic Officers in the other American Republics to report on the availability of certain products from Latin America for use in connection with the European Recovery Program (840.50 Recovery/3-448).

\*The extent of the interest of the Atomic Energy Commission, however, is at present a carefully guarded secret. [Footnote in the source text.]



*Monazite and Other Thorium Bearing Materials*

As you know, the source materials, uranium and thorium, are under the licensing control of the AEC as provided by the Atomic Energy Act of 1946. The main problems with respect to these materials under the ERP have already been brought to your attention. A few additional points relating to monazite and thorium compounds seem to be in order at this time; viz:

1. Efforts are being made to increase substantially the present rate of import of monazite into the United States.
2. Thorium-bearing materials produced in the United States are licensed for export to foreign countries only after careful investigation of the end uses to which the materials will be put.
3. This Government prefers to discourage the erection of plants abroad (except in certain countries) for the processing of monazite to thorium compounds.

I trust that all requests for shipment of beryllium materials and beryl by the participating countries (in addition to those for source or fissionable materials) will be referred to the AEC for consideration prior to any commitment being made by the U.S. Government.

EDMUND A. GULLION

Department of State Atomic Energy Files

*Memorandum by Mr. Edmund A. Gullion to the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] April 7, 1948.

This is to suggest that, after checking with Secretary Forrestal, you say to Spaak sometime during his current visit that we are gratified to see that the problem of the defense of the Congo in wartime has been receiving renewed attention by his government. In view of the importance of uranium supplies to us, we are naturally interested. Sometime in the future we might like to have our military men talk with his about the requirements of Congo defense although we have no definite plans at this time.

The following is for your background information:

When Ambassador Kirk<sup>1</sup> last conferred with General Eisenhower<sup>2</sup> the latter did not seem aware of any special Congo planning by the War Department. Doubtless there are such plans but they were not then in the forefront of the Chief of Staff's mind.

The Staff talks would be entirely without commitment on anyone's part, but it is obvious that the Congo is a prime objective of airborne

<sup>1</sup> Alan G. Kirk, United States Ambassador in Belgium.

<sup>2</sup> General of the Army Dwight D. Eisenhower, Chief of Staff, United States Army, November 1945-February 1948; President of Columbia University.

operations in wartime, and that we are not necessarily in the most advantageous position in this respect. Arrangements for counter-intelligence and counter-sabotage might also be discussed.

It seems to me that such talks should be held whether or not we move to a closer relationship to the Western European union.<sup>3</sup> As the latter ripens, more formal staff plans with the Belgians might be brought into relation to it. Of course, the British also have a great stake in the Congo and have defense installations somewhat nearer than our own. Presumably we should coordinate any further action with them.

As you may be aware, circumstances for such talks are more auspicious now than previously. In the near future the Western European Ambassadors, including our own, will visit the Congo on Belgian invitation; the Belgians have announced that they are improving their defense preparations in view of the probable installation of the Government in the Congo in the case of hostilities; Field Marshal Montgomery<sup>4</sup> has visited the Congo.

Spaak's attitude on the general question of USA-European relations has been such as to indicate that he would be receptive to an approach about the Congo. Of course, due regard would have to be given to Belgian sensitivity on the Colonial question.<sup>5</sup>

EDMUND A. GULLION

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<sup>3</sup> For documentation on discussions leading to the formation of the North Atlantic Treaty Organization, see vol. III, pp. 1 ff.

<sup>4</sup> Viscount Montgomery of Alamein, Field Marshal Sir Bernard Law Montgomery, Chief of the Imperial General Staff.

<sup>5</sup> The following marginal notation appears on the source text: "Amb. Kirk informed—he is to make initial soundings on forthcoming trip to Congo." In telegram 1222, June 14, however, Kirk reported that Edgar E. B. Sengier, Chairman of the Executive Committee of the Union Minière du Haut-Katanga, had advised him not to visit the Congo uranium mines due to the likelihood that undesirable publicity and unfortunate precedents would be created. Concurring in this opinion and believing that a visit to Leopoldville only would not justify his absence from Brussels, the Ambassador stated that he was discontinuing his plan to go to the Congo. (855a.6359/6-1448)

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Department of State Atomic Energy Files

*The Acting Secretary of State to the Ambassador of the Netherlands (van Kleffens)*<sup>1</sup>

TOP SECRET

The Acting Secretary of State presents his compliments to His Excellency, the Ambassador of the Netherlands, and has the honor to refer to the Secret Memorandum of Agreement between the Nether-

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<sup>1</sup> In a memorandum to Lovett, April 12, Gullion stated that this note had been agreed upon with the United States Atomic Energy Commission and with the British, and was the product of some weeks of consideration (Department of State Atomic Energy Files).

lands Government and the Governments of the United States of America and the United Kingdom of Great Britain and Northern Ireland jointly, signed in London on August 4, 1945, a copy of which is attached.<sup>2</sup>

The Government of the United States and the Government of the United Kingdom have consulted with respect to the option privileges included in Clause 5 of the agreement. The two governments have agreed that notice should now be given that it is desired to exercise the option to extend the agreement for an additional period of three years and the Acting Secretary of State has the honor on behalf of the United States Government hereby to give notice to this effect.

The Ambassador is no doubt aware of the desirability of obtaining the fullest information possible with respect to the reserves of monazite in the Netherlands East Indies and the potentialities for production from such reserves. With this in view, the Acting Secretary of State presents for the consideration of the Government of the Netherlands, a proposal for a field investigation of the monazite reserves of the islands of Billiton, Banka and Singkep by three qualified mineral engineers of the United States Government. This proposal is made with the full knowledge and concurrence of the Government of the United Kingdom.

The Government of the United States proposes that the actual field work should be performed in cooperation with the Netherlands authorities in a manner to be agreed among the three governments. Unless the Netherlands Government should recommend otherwise, the United States Government believes that the work can best be performed on an overt yet discreet basis. With the cooperation of the Netherlands Government and the private companies operating in the specified areas, it is anticipated that these field investigations could be completed in about three months, provided that any data now in the hands of the mining companies, pertinent to an evaluation of the reserves and possibilities for production of monazite in the NEI, are made available to the field party reasonably well in advance of its departure from the United States. It is appreciated that information relating to monazite may be intrinsically linked with the confidential operating data of the companies regarding tin, and the United States Government hereby gives assurance that all information, which may be made available to it, will be kept in the strictest confidence.

The Government of the United States, consistent with the spirit of the agreement of August 4, 1945, is, of course, prepared to keep the Netherlands Government fully informed regarding the progress of

<sup>2</sup> The Memorandum of Agreement is not printed, but for documentation on its negotiation see *Foreign Relations*, 1945, vol. II, pp. 9-36 *passim*.

the investigations and, when the field data have been compiled, will undertake to supply the latter with copies of the final reports.

The Acting Secretary of State would appreciate receiving the views of the Netherlands Government regarding this proposal at the earliest convenient time. In this connection, attention is called to the commencement of meetings of the International Tin Study Group in Washington on April 19, 1948. It would be helpful if sometime during these meetings, or following them, the representatives of the Netherlands East Indies mining companies who will attend could discuss with the designated United States engineers, arrangements with respect to compilation of data essential to the success of the investigations.

WASHINGTON, April 13, 1948.

711.329/4-1348: Telegram

*The Chargé in Brazil (Key) to the Secretary of State*

TOP SECRET

RIO DE JANEIRO, April 13, 1948—2 p. m.

419. Pertinent parts Deptel 238, March 24<sup>1</sup> were communicated to Foreign Office in Embassy note dated April 6 delivered April 7.<sup>2</sup>

Yesterday in conversation with Foreign Minister<sup>3</sup> he stated orally that Brazilian Government considered present agreement (1) illegal and (2) unenforceable.

He asserted it was illegal because it was secret and had never been ratified. He remarked that even Vargas<sup>4</sup> government had exceeded its authority in concluding agreement and had not given it legality by publication in any official organ the procedure followed by that regime.

Agreement was unenforceable, he said, because Brazilian Government could not in absence of specific legislation compel producers or exporters to ship to a specific country. He was of further opinion that should terms present secret agreement become known it would cause deep resentment and play into hands Communists and others denouncing foreign monopolies and exploitation. He also held present prices too low.

For above reasons and also because National Security Council<sup>5</sup> demands revision Foreign Minister said he proposes that new agreement be concluded which would be submitted Congress for ratification. Suggested new agreement, he indicated, would provide that (1)

<sup>1</sup> *Ante*, p. 701.

<sup>2</sup> Not printed.

<sup>3</sup> Raul Fernandes.

<sup>4</sup> Getúlio Dornelles Vargas, President of Brazil 1930-1945; National Senator since 1946.

<sup>5</sup> Reference is to the Brazilian National Security Council.

part of production would be reserved for use in Brazil, (2) sands would be treated to maximum possible extent before export, (3) contract would contain escape-by clause to enable Brazil to comply with plan to be adopted by UN for atomic control.

To give effect such agreement Congress would be requested appropriate necessary funds to expropriate existing monazite mining concessions to assure national control production and export.

In connection with expression above views Foreign Minister stated he would consult with Security Council and in near future would reply in detail to Embassy note.

KEY

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Department of State Atomic Energy Files

*Minutes of the Meeting of the American Members of the Combined Policy Committee, Washington, May 28, 1948*

TOP SECRET

Present: Under Secretary of State, Mr. Lovett  
Mr. Gullion, American Executive Secretary  
Chairman of the U.S. Atomic Energy Commission, Mr. Lilienthal  
Mr. Carroll Wilson, General Manager, U.S. Atomic Energy Commission  
Mr. Joseph Volpe, Jr., Associate General Counsel, U.S. Atomic Energy Commission  
Mr. Donald F. Carpenter, Deputy to the Secretary of Defense on Atomic Energy Matters  
Maj. Gen. Kenneth D. Nichols, Chief of the Armed Forces Special Weapons Project

*I. Negotiation for South African Supplies*

The members of the Committee had seen the Commission's letter of May 18, 1948,<sup>1</sup> setting forth the background of talks to be held with the representatives of the South African Government in Washington in the second week in June. The U.S. and U.K. were agreed that by 1952 South Africa might be the principal source of uranium and negotiations should be undertaken now to procure the maximum amount. The Committee then considered the possible effect of the overthrow of Marshal Smuts' government on the proposed negotiations.<sup>2</sup> MR. LOVETT

<sup>1</sup> Not printed.

<sup>2</sup> The election of May 26, 1948, the first in the Union of South Africa since the Second World War, resulted in victory for the Nationalist Party led by Daniel F. Malan who became Prime Minister and Minister for External Affairs. Field Marshal Jan Christiaan Smuts, leader of the defeated United Party, had been Prime Minister, Minister for External Affairs, and Minister for Defence since 1939.

reported that the British were of the opinion that preliminary talks should take place as planned. This would be satisfactory if they were confined to amounts and price formulae, or the elements of a straight commercial transaction, but it would be inappropriate to engage in wider political discussions at this time.

MR. WILSON described the approach which the representatives of the Combined Development Agency planned to make to the South Africans. We would probably want ten thousand (10,000) tons within the next few years, delivery to be made as soon as possible. Instead of a straight unit price per pound, we would propose an arrangement under which the Atomic Energy Control Board would be the principal and the South African mining companies would act as agents, being paid costs plus a royalty. A straight unit price per pound would be very difficult in the case of the processes to be used in South Africa, since little was known of the expenses involved. Moreover, the range of uranium content of the various tailings was very great. A straight unit price would mean that some countries would profit exorbitantly whereas others would barely make expenses. MR. LOVETT expressed the opinion that in beginning the talks the question of political concessions or of a politico-strategic *quid pro quo* should not be raised, unless the South Africans should do so. So far, it appeared that they were disposed to confine the talks to financial considerations.

In all our future foreign relations with the Union of South Africa, we would have to bear in mind the importance of South African uranium.

MR. LOVETT outlined some of the political and strategic considerations in relation to negotiations as follows:

1. The question of political inducements, or of a politico-strategic *quid pro quo* should not be raised, unless the South Africans do so.

In the last analysis, however, the price of uranium was dependent on political considerations. The South Africans, like the Belgians, were willing to sell uranium to us because they felt it is in their interest politically and strategically. Inasmuch as the South Africans have asked the U.S. and U.K. to make an offer, and have indicated that their principal interest is an assurance that we will continue to take over a long term any uranium produced, it is probable that they are disposed to confine the talks largely to financial considerations.

We should, of course, bear in mind the importance of South African uranium in all our future dealings with the Dominion—although there do not seem to be any policies which we ought to change with the possible exception of facilitating South African purchases of mining machinery and rolling stock.

2. *South African membership on CPC or CDA.* The South Africans might (a) require further information on U.S.-U.K. partnership in

atomic energy, and (b) membership in the Agency or Policy Committee. We should take no initiative on either question unless the South Africans should raise the point. As to (a), the general character of the U.S.-U.K.-Canadian cooperation could be outlined. The British would feel compelled to do so, in any case, because of the Commonwealth relationship.

If South Africa should insist on membership in the Combined bodies directing atomic energy policy, this might eventually have to be granted, especially in view of the Commonwealth bond. However, we should not advance the idea, or encourage the British to do so.

There may be some advantage to South Africa in not assuming responsibility for decisions in atomic energy policy which now rest with the bigger CPC powers. It was better for all concerned if South Africa should continue to treat the whole thing as a commercial transaction. It would be easier, for example, for South Africa to deny uranium to outsiders if the uranium were bound up in a commercial contract, than if the government were actually engaged.

3. *Construction of an atomic energy pile.* It was doubtful that the South Africans would actually ask for this. If they do, it may be because of over-optimism as to the imminence of industrial uses. We should be prepared to give them a more correct view of prospects.

On the basis of the British position in the last CPC talks and their replies to a similar request from South Africa, we can anticipate that they would have to grant South African requests for research information, although they would probably try to defer delivery and would consult with us. In the long run we should probably have to agree to the construction of a pile in South Africa, but limited cooperation in this direction should be offered first, i.e., assistance in research (which they are already requesting), isotope uses, etc. We would also want assurances as to informational security, stockpiling, etc., and possibly other undertakings in fields other than atomic energy, and relating to over-all Atlantic Union defense.

4. *State Department participation.* It was understood that Shonland,<sup>3</sup> the South African representative, was coming here "as personal representative of the Prime Minister" to "discuss high policy matters." It is, therefore, recommended that the State Department be represented at the first contact with the South African representatives. Thereafter, if it appeared that negotiations could be steered into a commercial channel, State Department activity should be limited.

Mr. Lovett described the background of U.S.-South African relations at this time.

<sup>3</sup> Dr. Basil F. J. Schonland, Chairman of the South African Council of Scientific and Industrial Research.

## II. *Publicity on U.S.-U.K.-Canadian Consultation on Scientific and Technical Aspects of Atomic Energy*

The Committee had before it a draft press release by the AEC. (Annexed to these Minutes as Tab A.<sup>4</sup>) The Committee approved such a press release in principle, subject to concurrence of the Canadians and the British, and further consideration of (a) the advisability of framing the release so as to indicate that the consultation in question was an outgrowth of the cooperation established during the war under the Combined Policy Committee, as announced in the Secretary of War's press release of 1945;<sup>5</sup> (b) wording the release in such a way as not to invite inquiries or representations by non-CPC countries, e.g., Belgium and France.

The draft release was turned back to AEC for further drafting and the Secretariat was instructed to ascertain the views of the British and Canadians.

## III. *Scientific Mission Attached to United States Embassy, London*

The Committee approved in principle the appointment of Professor Smyth to succeed Dr. Evans as head of the Scientific Mission attached to the United States Embassy, London, subject to his acceptance and British concurrence.<sup>6</sup> The Committee also indicated that favorable consideration might be given the recommendation that this Mission be permitted to engage on work in the atomic energy field which it had not hitherto engaged in. The Secretariat was instructed to follow through on these recommendations.

## IV. *Report on Action of Subgroup Established by Modus Vivendi, January 7, 1948*

The Committee was informed that the Sub-group on Scientific and Technical Cooperation would shortly have ready their report on the matters within its competence, and that there would also be presented soon a Report on the inventory of stocks and projected allocations undertaken in accordance with the plan laid down in the *Modus Vivendi* of January 7, 1948.

EDMUND A. GULLION

<sup>4</sup> Not printed.

<sup>5</sup> Reference is to the Statement by Secretary of War Henry L. Stimson on August 6, 1945; for text, see Raymond Dennett and Robert K. Turner, eds., *Documents on American Foreign Relations, July 1, 1945-December 31, 1946* (Princeton, N.J.: Princeton University Press, 1948), pp. 413-419.

<sup>6</sup> Reference is to Dr. Henry D. Smyth, Chairman of the Department of Physics, Princeton University (consultant to Manhattan Engineer District, 1943-1945), and to Dr. Earl A. Evans, Attaché, United States Embassy in the United Kingdom. The contemplated change did not occur.



Department of State Atomic Energy Files

*The Under Secretary of State (Lovett) to Senator Bourke  
B. Hickenlooper*

TOP SECRET

[WASHINGTON,] June 16, 1948.

DEAR SENATOR HICKENLOOPER: In reply to your letter of June 7, 1948,<sup>1</sup> it is still too early to say to what extent the recent political changes in the Union of South Africa may influence the efforts of the Combined Development Agency to secure raw materials from that source. Our most recent reports indicate that the position of the winning Nationalist Party led by Dr. Malan is very weak. They actually trailed in the popular vote by an almost 12% margin. Their majority in the Parliament is only 3 to 5 seats. Moreover, to win support on controversial issues they would have to rely on winning votes from other parties. In these circumstances the extent to which Malan will be able to depart from the policies of Marshal Smuts' Union Party is doubtful.

Certainly there has been no evidence of a change in policy thus far with respect to uranium. The question of "a diplomatic arrangement which would permit the Atomic Energy Commission to purchase uranium concentrates" has not yet actually arisen. So far the negotiations with the South African representatives (Brigadier Schonland and Professor Tavenner) have been purely exploratory. There is no evidence that anything will be required other than a straight commercial contract between the Combined Development Agency and a comparable corporate entity in South Africa.

The South African representatives came to this country via London where they made preliminary contacts with the United Kingdom authorities. During the week of June 7 they held some meetings with United States and United Kingdom representatives of the Combined Development Agency, which were attended by personnel of the Atomic Energy Commission, the Embassies, and an observer from this Department. The South Africans began these talks by affirming that they did not consider that the change in government affected their mission, which was exploratory and factfinding. Their report would be transmitted to Pretoria and the next stage would presumably be tripartite negotiations in South Africa after their government had considered that report.

As a result of the talks here, the South Africans are taking with them an outline of the prices, quantities, and terms on which the Agency would wish to secure South African uranium. I believe that the Commission can furnish you with complete details. It is understood that these preliminary talks are not binding on either party.

<sup>1</sup> Not printed.

It may be that the South African government may eventually wish to make stipulations of a political character or ask for compensations other than financial, although, I repeat, there has been no sign of this thus far. We strongly believe that it is to the interest of all concerned if the arrangement can be concluded within the terms of an ordinary commercial contract. However, if we have to, we would be prepared to consider some kind of diplomatic agreement in consultation with the appropriate committees of Congress.

We do not know whether the accession of the violently Nationalist Malan government will facilitate or hinder a commercial agreement. Dr. Malan, himself, favors the separation of South Africa from the British Commonwealth. However, the narrowness of his majority will undoubtedly limit what he can do in this respect, especially since we learn that General Smuts has now decided to accept an opposition seat and will doubtless combat such policies. On the other hand, the Afrikaaners' separatist policy may cause South Africa to view a joint uranium agreement with the United States and United Kingdom, in a somewhat different light than if it were an enthusiastic member of the Commonwealth. I should add that although Malan is likely to be lukewarm on the Commonwealth affiliation, he and his party are, if anything, more violently opposed to Communism than the United Party.

As you will observe, we are still proceeding step by step in this matter, although the outlook seems favorable. I shall certainly keep you informed of any future foreign policy aspects of the negotiations.

Sincerely yours,

ROBERT A. LOVETT

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857D.20/6-1848

*Memorandum by the Director of the Office of European Affairs  
(Hickerson) to the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] June 18, 1948.

I have given careful consideration to the enclosed draft of a report by the National Security Council on "The Position of the United States with respect to Scandinavia".<sup>1</sup> While I agree with the general tenor of the conclusions and recommendations, I recommend that the State Department not approve this paper at this time but that we advocate that it be held in abeyance for the present in so far as the recommendations pertaining to Sweden are concerned. I see no objection to going ahead with the recommendations relating to Norway and Denmark, if that is practicable.

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<sup>1</sup> This draft report, not printed, was an antecedent draft of NSC 28/1, same title; for text of the latter, see vol. III, p. 232.

I understand that the Atomic Energy Commission is on the point of asking this Department to undertake negotiations with Sweden looking to the purchase by the United States of as large as possible a proportion of Swedish production of uranium. I understand that the results obtained in the pilot plant near Stockholm of production of uranium from oil shale have been gratifying and that Sweden is potentially the second largest producer of uranium in the world. Sweden is endeavoring to purchase equipment in this country to increase her production of uranium and we are sitting on these applications for export licenses. I am told that Sweden can, even without our assistance, produce large quantities of uranium but that her production would be expedited and facilitated if she obtained this equipment.

It seems clear to me that we must fit this uranium question into our general policy with regard to Sweden. The enclosed draft paper of the National Security Council does not take this into account. In these circumstances I make the following specific recommendations:

1. That we informally ask the Atomic Energy Commission to expedite their studies and to give us as soon as possible whatever recommendation they wish to make in regard to our endeavoring to purchase uranium in Sweden.

2. That if these recommendations call for unilateral action by the United States, we try to persuade the Atomic Energy Commission to agree that this matter should be a joint US-UK project and that whatever requests we make of Sweden should be sponsored by both the US and the UK Governments.

3. That we discuss the uranium matter and the whole Swedish policy with those officials of the UK Government in Washington who deal with uranium and questions pertaining to Western Union (one or two British officials deal with both subjects) and that we endeavor to arrive at an agreed course of action in regard to efforts by our two Governments to cause Sweden to abandon its attitude of neutrality and to sell uranium to the US and the UK. The interests of the US and the UK Governments are identical in regard to both of these objectives and it should be possible to work out a line of procedure which meets the approval of both Governments.

4. That we inform the National Security Council that we are in accord with the recommendations contained in the attached paper in regard to Norway and Denmark but that we feel that action in regard to Sweden should be postponed pending a decision in regard to the important question of Swedish uranium; that it would be agreeable to us for the National Security Council to proceed with the recommendations on Norway and Denmark alone or postpone action for the present on the entire paper with the understanding that pending a final decision on this paper the United States Government will:

- a. As regards Norway and Denmark, follow generally the recommendations set forth in this paper.

b. As regards Sweden, we will provisionally and until further notice:

(1) not permit the export to Sweden of important equipment for the production of uranium.

(2) not permit the export of defense material from the United States to Sweden until we have met the requirements of other countries which have demonstrated a willingness to unite their strength to oppose aggression. This would mean that we would not automatically refuse a request for an export license to Sweden but that we would not issue a license for material which the Brussels Pact<sup>2</sup> and other like-minded countries wish to purchase; anything left over and not in short supply could be exported.

5. I am in full accord with the work which Ambassador Matthews<sup>3</sup> has been doing to cause the Swedes to change their neutrality policy. He has not, however, taken into account this uranium problem and the time has come when we must fit this into the general picture. I therefore recommend that the Under Secretary send Mr. Matthews a top secret letter bringing him up to date on this matter.<sup>4</sup> I discussed with Mr. Gullion who is in accord and is preparing such a letter for Mr. Lovett's consideration.

<sup>2</sup> For text of the Brussels Treaty, signed by the Governments of the United Kingdom, France, Belgium, the Netherlands and Luxembourg, March 17, 1948, see *American Foreign Policy, 1950-1955, Basic Documents* (Department of State Publication 6446), vol. I, pp. 968-971, or Department of State *Bulletin*, May 9, 1948, pp. 600-602. For documentation on the negotiation of this pact, see vol. III, pp. 1 ff.

<sup>3</sup> H. Freeman Matthews, United States Ambassador in Sweden.

<sup>4</sup> See letter of July 2, p. 716.

Department of State Atomic Energy Files

*The Under Secretary of State (Lovett) to the Administrator of the Economic Cooperation Administration (Hoffman)*

TOP SECRET

WASHINGTON, June 28, 1948.

DEAR PAUL: Various staff level conferences have recently been held among representatives of ECA, the AEC, and the Department on the question of the relation of the Economic Cooperation Act<sup>1</sup> and this Government's arrangements with the various European countries on atomic energy matters. Specifically the question has been whether the ECA should take responsibility for persuading ECA countries not to export equipment of use in the field of atomic energy production to non-ECA countries. It is the view of this Department that the ECA should not take primary responsibility in this matter but that the Department should continue to handle it, in cooperation with the AEC, through regular diplomatic channels. In so doing, the Depart-

<sup>1</sup> Title I of the Foreign Assistance Act of 1948, 62 Stat. (pt. 1) 137, approved April 3, 1948; also referred to as the European Recovery Act.

ment would undertake to keep the Administrator informed of the arrangements as made in the various ECA countries relating to export controls over materials and equipment distinctly of atomic energy significance. It is anticipated that the AEC and the ECA will work out understandings regarding the specific items to be controlled through their respective operations.

The reasons for this view are several:

1. In our view, to attempt to use the ECA as a club to force the nations of Europe to prohibit the export of certain atomic energy equipment would give considerable support to Communist propaganda that the United States is attempting to fasten an atomic monopoly on the world. For this reason, throughout the legislative history of the Foreign Assistance Act, the Department has striven to keep our ECA objectives and our atomic energy objectives separate.

2. Arrangements have already been made with several ECA countries to control the export of atomic energy equipment to Curtain areas. Arrangements with, or satisfactory assurances from, certain European countries have already been obtained. In such cases the club of ECA is not necessary. Arrangements for parallel controls in the U.K. and Canada are well under way.

3. In certain other countries, particularly Sweden and Switzerland, the inducements of the foreign assistance program are minor. In these cases tying atomic energy export controls to the recovery program would cause considerable irritation, and might indeed, jeopardize even their limited participation in ECA as well as their cooperation in the atomic energy field. As far as Sweden is concerned, we have had several specific cases where the Swedes, at our request, have denied export licenses of atomic energy equipment to Curtain areas. Steps are being taken to prevail upon the Swiss to the same end.

4. Decisions as to whether particular pieces of equipment in the particular country should be allowed export licenses must be handled on an individual basis. Considerable technical knowledge is required, knowledge of the sort which is possessed at the present time in this Government only by the Atomic Energy Commission. Furthermore, the handling of export policy is intermingled with various other approaches that this Department has in train such as the procurement of raw materials and intelligence aspects of atomic energy in the international field, all of which involve security considerations of the utmost importance.

5. The Atomic Energy Commission is prepared to follow this matter closely and to make personnel available when needed to work out suitable arrangements in the various countries.

6. In most instances countries that have been approached to screen export items of significance in atomic energy consider that our advice and assistance is of mutual value. Ordinarily no further inducement is required to persuade them to institute the controls considered necessary.

7. The language of the Foreign Assistance Act in Section 117-D does not clearly cover those instances where countries may, in fact, produce these atomic energy items in their own countries without

benefit of U.S. materials and supplies. This is particularly true of such countries as Sweden and Switzerland.

In view of the foregoing, the Department of State feels that present arrangements as regards export control in ECA countries of atomic energy equipment should be continued and strengthened through normal diplomatic channels in collaboration with the Atomic Energy Commission.<sup>2</sup>

Sincerely yours,

ROBERT A. LOVETT

<sup>2</sup> In his reply, received July 1, Hoffman stated the following: "I agree with your suggestions on the subject, which seem to me sound." (Department of State Atomic Energy Files)

Department of State Atomic Energy Files

*The Under Secretary of State (Lovett) to the Ambassador in Sweden (Matthews)*

TOP SECRET

WASHINGTON, July 2, 1948.

DEAR DOC: In considering our policies toward Sweden, we must at all times recall that it is, both relatively and absolutely, an important potential source of uranium. When and if present pilot processes of extraction from oil shale are executed on an industrial scale, Sweden will probably be in the second or third rank of producers of uranium concentrates. Moreover, we have certain other important atomic energy desiderata in Sweden.

It is yet too early to say whether these facts will influence our efforts to get Sweden to budge from its "neutral" position. However, I should like you to have a recapitulation of our atomic energy interest now, to be sure that we do not lose sight of it.

I also enclose for your information a copy of a note from the Swedish Foreign Office of September 11, 1945,<sup>1</sup> in response to our efforts during the war to acquire any potential Swedish production. In it the Swedes announce their intention not to permit any uranium exports to any destination. A summary of our negotiations with them is also transmitted. You will observe from these accounts that even in 1945 the Swedish attitude toward our requests was determined by their neutrality concepts and their fear of the Soviet Union; then as now Undén<sup>2</sup> was the spokesman. However, since then, other conditions which shaped the negotiations have altered considerably: (a) The prospects for international control of atomic energy have diminished almost to the vanishing point; (b) although the United States is not

<sup>1</sup> For text, see *Foreign Relations*, 1945, vol. II, pp. 46-47.

<sup>2</sup> Östen Undén, Swedish Minister for Foreign Affairs.

in a position to give defensive assurances to the Swedes, something like that result would be measurably nearer if a Western collective defense organization in conformity with the UN charter were established, and if the Swedes and the United States were members, or affiliates.

The following are our atomic energy objectives in Sweden, briefly stated:

1. The Department and the Atomic Energy Commission are now considering whether we should approach the Swedes for as much uranium as we can get, or whether our interest is best served by maintaining a low level of production in Sweden and continuing present arrangements, including transmission to us by Sweden of information about their processing of oil shale. In any case we will shortly begin by asking the Swedes for information about the purposes and progress of their project. We may contend that such cooperation was provided for in the 1945 talks. Sweden is potentially an extremely important source of uranium concentrate. Her production might compare with that of any one country under USSR control. At the time when we first approached the Swedes in August 1945 with a view toward procuring some of this ore, the possibility of Swedish methods for the treatment of oil shale had not yet been established. It now appears that this method is feasible and on the way toward realization. It might be argued that it would be to our interest not to encourage production in Sweden. The answer will depend on how much we need the uranium. We should also recall that Swedish science and resources are adequate to enable them to produce it on their own account within a short time. We do not believe, however, that they would attempt to produce large quantities or that they would go further and attempt to construct in Sweden large-scale atomic reactors on the Hanford<sup>3</sup> plan which would probably be beyond their means and, in any case, would be a temptation to an aggressor.

2. Sweden is one of the few countries in a position to export items of industrial equipment suitable for atomic energy applications. As you know Sweden has already indicated some willingness to cooperate with us in this matter (which was foreshadowed in the September 1945 talks) and has on two occasions stopped orders on shipments at our suggestion. In the near future you will receive an extensive list of items for which we will suggest that the Swedes institute a special export control. It would be possible to claim that the Swedes have an obligation to institute this control under the terms of Section 117-D of the Economic Cooperation Act, but we consider that for the present this would be unnecessary and undesirable for a number of reasons which, I am sure, are obvious to you. Similarly subsection 9 of Section 115-B might be held to give us some special privileges with respect to the uranium process. However, in the course of the negotiations with respect to our agreement with the Swedes on August 5, the Swedes gave us oral assurances that they would furnish information

<sup>3</sup> Reference is to the United States Atomic Energy Commission's installations at Hanford, Washington.

on their resources and exploitation and production.<sup>4</sup> We should be reluctant to use ECA to "pressure" the Swedes unnecessarily.

3. Sweden is obviously an important center of atomic energy intelligence, not only on the matters cited above, but because it is strategically placed for reporting on heavy water developments in Norway, the work of Professor Niels Bohr at Copenhagen, and work in the Soviet areas. We wish to continue existing cooperation in this field and to extend it, if possible.

As I have indicated, the relation of these atomic energy questions to our policy on Swedish "neutrality" is not yet clear. The National Security Council paper<sup>5</sup> in its present form does not yet take account of uranium procurement.

I believe that your effective efforts have already made very clear to the Swedes (and their concern is evident) our disapproval of their neutrality policy. However, if we are to make a request for uranium it would be unfortunate, if the Swedes had been forced into a reaffirmation of their neutrality position so categoric as to preclude their making it available to us. On the other hand, an ill-timed request for uranium might merely result in strengthening Sweden's "neutrality" inclination. In any case, I do not believe that relaxation of our pressure is feasible, desirable or that it would advance our chances of getting uranium.

Until such time as we know what we will ask with respect to atomic energy development and procurement in Sweden and until this objective is fitted to over-all policy formulations, such as that embodied in the National Security Council paper, I would propose that we consider export from this country of items in the atomic energy field apart from the general restriction on military exports. For the present, relatively unimportant items only would be approved; but we have on hand applications for items of importance in atomic energy development and which indicate serious progress in Sweden. Our action on these will be determined with reference to our decision on procurement but in the meantime you may be asked to verify the background and affiliations of prospective consignees.

If we do make a uranium bid and if it is turned down it would give us cause for increased vigor in our campaign on Swedish neutrality. It seems to me that the Swedes may now claim that their estimate of the effect of Swedish neutrality on world security is at least entitled to as much credence as ours, or put another way, that it is a matter of

<sup>4</sup> With respect to the Swedish "oral assurances" under reference, see memorandum by Maj. John E. Vance of the Staff of General Groves, 25 September 1945, which describes the negotiations with Sweden in August and September 1945, *Foreign Relations*, 1945, vol. II, p. 53. The Vance memorandum accompanied the present letter as Enclosure 2.

<sup>5</sup> For information on the document under reference, see Hickerson's memorandum to Lovett, June 18, p. 712.



opinion whether our interests are best served by their staying on the fence. However, a request for uranium is a demand for a definite contribution by the Swedes, the significance of which they would have to recognize.

I should be grateful for any views you may have or suggestions for putting the uranium problem into its correct perspective. . . . We have now made arrangements with the Commission, as well as budgetary provision, for the nomination of a Scientific Attaché to Stockholm who is now being selected, pending confirmation by you of his acceptability to Swedish Government. He should be of considerable help in this field. You will have already received, or will shortly receive, a cable about this.

However, I want to be sure that our missions are at all times cognizant of the political aspects of atomic energy. I should be glad to hear from you currently and directly on these subjects at any time.

Sincerely yours,

ROBERT A. LOVETT

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Department of State Atomic Energy Files

*Minutes of the Meeting of the American Members of the Combined Policy Committee, Washington, July 6, 1948*

TOP SECRET

Present: The Under Secretary of State, Mr. Lovett  
Mr. E. A. Gullion, American Executive Secretary  
Mr. R. Gordon Arneson  
Chairman of the U.S. Atomic Energy Commission, Mr. Lillienthal  
Mr. Carroll Wilson, General Manager, U.S. Atomic Energy Commission  
Mr. Joseph Volpe, Jr., Associate General Counsel, U.S. Atomic Energy Commission  
Mr. Donald F. Carpenter, Deputy to the Secretary of Defense on Atomic Energy Matters  
Mr. William Webster, Assistant to the Chairman of the Military Liaison Committee

I. *Minutes of Last Meeting*

THE CHAIRMAN stated that the minutes of the last CPC meeting<sup>1</sup> were being circulated and should be considered approved.

II. *Resignations and Appointments*

THE CHAIRMAN reported the resignation of Mr. Gullion as his Special Assistant and as American member of the Combined Secretariat. Mr. Arneson was succeeding Mr. Gullion in both capacities. Mr.

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<sup>1</sup> For the minutes of the last meeting, that of January 7, 1948, see p. 679.

Carpenter had been named alternate to Secretary Forrestal. MR. CARPENTER stated that his appointment was temporary and that in October he would be replaced by Mr. Webster. The new Ambassador, Sir Oliver Franks, was replacing the retiring Ambassador, Lord Inverchapel, as a British member. The Committee noted and accepted these resignations and appointments.

It was agreed that a resolution of thanks to Lord Inverchapel and of welcome to Sir Oliver Franks should be presented at the CPC meeting on Wednesday<sup>2</sup> on behalf of the American members.

### III. *Report of CDA on Raw Materials Inventories*

The allocation arrangements provide that when the United States warehouse reserve falls below a year's minimum requirement, that a quantity equivalent to the deficit will be earmarked in the United Kingdom; and if the United States warehouse reserve falls below seven months requirement, an emergency shipment of a quantity equivalent to the deficit will be made from the United Kingdom. A balance of each year would be struck in the third quarter taking into account the earmarkings of the first and second quarters and the anticipated situation for the remainder of the year. Actual shipments take place as required in the fourth quarter. The amount earmarked in the first quarter based on actual supply and demand figures was somewhat smaller than had been first estimated.

The Committee approved the report. (Attached to CPC Minutes of July 7, 1948 as Tab C.)<sup>3</sup>

### IV. *South African Negotiations*

MR. CARPENTER reported on his conversation with Dr. O. M. Solandt, a Canadian, whose comments had been very reassuring concerning the prospects for successful negotiation with South Africa. Dr. Solandt stated that Mr. Schonland would probably represent the new government. Being strongly anti-communist, South Africa would be anxious to place its material in the hands of those who could make best use of it in the fight against communism.

### V. *Belgian Negotiations*

THE CHAIRMAN spoke of the excellent cooperation we had had from the Belgians. Mr. Spaak has been a tower of strength but it had to be recognized that he was faced with a difficult situation at home and that we should do whatever could appropriately be done to strengthen his hand. The solution seemed to lie in talking with the Belgians about production and use of radioisotopes and discussing the present status

<sup>2</sup> July 7.

<sup>3</sup> Tab C not printed.

of power production possibilities without going into much detail about industrial processes. There was evidence that the Belgians would consider some arrangements on isotopes a satisfactory prop for their domestic position. Moreover, with conversations in progress Spaak would be able to turn aside embarrassing interrogation from either the extreme right or the communists. It was not anticipated that Belgians would require much from us at this stage.

In this connection Mr. LILIENTHAL reported that the Commission is making a fundamental reexamination of the entire problem of security. The outcome of such reexamination might have an important bearing on the Belgian negotiations and others as well.

#### VI. *Report on U.K. Weapons Production*

THE CHAIRMAN invited the Committee's attention to a letter before it from the Atomic Energy Commission, dated July 2, 1948, (Tab A)<sup>4</sup> reporting that members of the Commission's technical staff who had gone to England on an official visit on their return advised that the U.K. had under way a plutonium production program which in their opinion looked toward production of weapons.<sup>5</sup> The Commission asked for a meeting with the Secretary of State and the Secretary of Defense to discuss the relevance of this information to the matter of future technical cooperation with the U.K. THE CHAIRMAN stated that the question of plutonium production had not been raised in the December-January discussions but that in his view it was not assumed on our side that the British would not produce weapons. That they would was confirmed when the British told the Department of State on March 19<sup>6</sup> that since the beginning of last year they had been doing research and development work on atomic weapons. MR. LOVETT recalled that we had undertaken the recent negotiations because of our great need for raw materials. In this connection, it was important to clear up past misunderstandings in order to secure the cooperation of the British in the forthcoming negotiations with South Africa. Moreover, our scientific and technical advisers were of the opinion that cooperation in certain technical areas would further the national defense and security of this country. In the field of raw materials our objectives have been achieved most handsomely. In his view the information called to the attention of the Secretary of State and

<sup>4</sup> Not printed.

<sup>5</sup> Reference is to the visit to Britain by Walter H. Zinn of Argonne Laboratories, George L. Weil of the reactor branch of the United States Atomic Energy Commission, and C. W. J. Wende of the USAEC's Hanford operation, in late May and June. The origins of this mission, the report submitted by Zinn, Weil, and Wende, and consideration of that report by the USAEC are described in Hewlett and Duncan, pp. 285-289.

<sup>6</sup> For Gullion's memorandum of conversation with Maclean, March 19, see p. 700.

the Secretary of Defense should not in any way affect existing arrangements.

MR. CARPENTER raised the question whether U.K. weapons production would in effect deny us raw materials. MR. WILSON replied that the five year estimate of U.K. needs on which recent allocations had been based was intended to cover all aspects of the U.K. atomic energy program. MR. CARPENTER said that he mentioned this matter briefly to Secretary Forrestal. MR. CARPENTER stated his own view to be that the information contained in the Commission's letter should not in any way affect existing arrangements and was not inconsistent with projected military plans in so far as they related to Western Union.

THE CHAIRMAN pointed out that conversations had just been begun with members of Western Union and Canada to see what arrangements, both political and military, could be made to give strength to Western Union. It was hoped that on the military side arrangements could be made for standardization of arms and for combined strategic planning. If and when the U.K. has atomic weapons, the military staffs might appropriately consider what disposition should be made of them in accordance with agreed over-all strategic plans. The U.S. was going into these conversations with Canada as a partner. It might prove possible for the U.S. and Canada to persuade the U.K., if strategy so dictated, to place her stocks of bombs in Canada. That was quite different from an attempt by us to tell the U.K. unilaterally what she ought to do with the bombs.

THE CHAIRMAN read excerpts from an undated letter signed by Secretary of War Patterson and Secretary of Navy Forrestal, giving opinions of the Joint Chiefs of Staff.<sup>7</sup> MR. CARPENTER stated that this letter had not come to his attention, and in view of the expressed opinion of the Joint Chiefs he was not in a position to give a final answer on the attitude of the National Military Establishment towards expanding the area of exchange of information, except to note that nothing should be agreed upon with the British which would diminish security of secret information or would reduce raw material supplies to the United States.

The consensus of the Committee was that cooperation should continue as presently laid down. No initiative should be taken by the U.S. to add to the nine agreed areas of technical cooperation. If, however, the British made a formal approach to this effect the Committee should seriously consider doing so, subject, of course, to discussions with appropriate Congressional committees. In any event, this should come after arrangements on Western Union have been worked out.

<sup>7</sup> For text, see *Foreign Relations*, 1947, vol. I, p. 798.

## VII. *Publicity on U.S.-U.K.-Canada Cooperation*

The group agreed in principle that a public statement containing the substance of the AEC draft press release should be made at the appropriate time. (Attached to CPC Minutes of July 7, 1948 as Tab F.)<sup>8</sup> The question of timing should be left for further consideration, for it should necessarily be related to the present state of tension in the world and plans for a full scale debate on international control of atomic energy in the next General Assembly.

R. GORDON ARNESON

<sup>8</sup> Tab F not printed.

Department of State Atomic Energy Files

### *Minutes of the Meeting of the Combined Policy Committee at the Department of State, July 7, 1948, 4 p. m.*

TOP SECRET

Present:

#### *Members*

The Under Secretary of State, Mr. Lovett (in the Chair)  
as alternate for the Secretary of State

The Chairman of the U.S. Atomic Energy Commission, Mr. Lilienthal

The British Ambassador, Sir Oliver Franks

Sir Gordon Munro

The Canadian Ambassador, Mr. Hume Wrong, as alternate  
to the Canadian Minister of Trade and Commerce

#### *By Invitation*

Donald F. Carpenter

Carroll L. Wilson

Joseph Volpe, Jr.

Admiral Sir Henry Moore

Mr. Longair

Mr. Eaton

#### *Secretariat*

Donald D. Maclean

Thomas A. Stone

Edmund A. Gullion

R. Gordon Arneson

#### *I. Minutes*

THE COMMITTEE approved the Minutes of its January 7 meeting.<sup>1</sup>

#### *II. Resignations and Appointments*

THE COMMITTEE accepted and approved the resignations and new appointments recorded in the Joint Secretariat Paper on this subject. (Tab A.)<sup>2</sup> At the suggestion of the Chairman the Committee adopted the resolution embodied in Tab B.<sup>3</sup>

<sup>1</sup> Ante, p. 679.

<sup>2</sup> Not printed.

<sup>3</sup> Tab B, not printed, expressed regret at the resignation of Lord Inverchapel and expressed appreciation of his contribution.

SIR GORDON MUNRO expressed the Committee's appreciation for Mr. Gullion's services as American Member of the Joint Secretariat and welcomed his successor, Mr. Arneson.

### III. *CDA Report on Materials Allocations*

THE COMMITTEE noted and approved the report of the CDA on raw materials allocations for the first quarter (Tab C.)<sup>4</sup>

### IV. *Report by CDA on Preliminary Discussions With South African Representatives on Uranium Procurement*

This report which is attached as Tab D was accepted by the Committee.<sup>4</sup>

### V. *Progress Report From Sub-Group of Scientific Advisers on Technical Cooperation*

THE COMMITTEE accepted this report which is attached as Tab E.<sup>4</sup>

MR. LILIENTHAL expressed his appreciation for the hospitality and understanding with which the American team of scientists had been received in England in carrying out their work under Area 8.<sup>5</sup> He was gratified by the extent to which information had been made available.

SIR GORDON MUNRO expressed the hope that the exchange which had had such auspicious beginnings would continue with an accelerating tempo. The Canadian Ambassador expressed his appreciation for the cooperative manner in which exchange was proceeding.

MR. CARPENTER regretted that cooperation in Area 5, Detection of A Distant Nuclear Explosion, had not yet been got under way. This area was a responsibility of the Defense Establishment and he would take steps to see that it was taken care of promptly.

### VI. *Publicity Concerning U.S.-U.K.-Canadian Cooperation in Atomic Energy Field*

MR. LILIENTHAL felt that the plan for a public statement on U.S.-U.K.-Canadian cooperation was sound but that there was an important question of timing involved. He felt that a decision on timing should be deferred without prejudice to the principle or the content of the draft prepared by the USAEC. (Tab F).<sup>4</sup>

<sup>4</sup>Not printed.

<sup>5</sup>"Area 8" refers to the 8th point of the report of the Subgroup on technical cooperation, approved by the Combined Policy Committee at its meeting of January 7, 1948. Area 8 was "The Design of Natural Uranium Reactors in which the power generated is not wasted." For text of the report, see *Foreign Relations*, 1947, vol. 1, p. 894. For information regarding the visit of the American scientists, see the Minutes of the Meeting of the United States Members of the Combined Policy Committee, July 6, *supra*.

MR. WRONG stated that it was his Government's view that, taking into account the forthcoming debates in General Assembly concerning negotiations in the UNAEC, the present tensions in the world, and the danger that such an announcement might prove a severe shock to certain friendly powers, whatever publicity was agreed upon should not be in the form of a joint communique but might come out unobtrusively in public speeches. The most natural way to handle the matter would be for Mr. Lilienthal to cover the substance of the draft release as part of a speech on some general topic relating to atomic energy. His speech would be followed by appropriate speeches or replies to parliamentary questions by British and Canadian officials. Concerning the text of the draft itself, he felt that the term "Declassification Guide"<sup>6</sup> should not be used for it might leave the impression that there was much more information to be released at a later date.

MR. LILIENTHAL urged consideration of a broader setting for the public statement on this matter. He agreed that a formal press statement would not be the best method. It might be tied to a general theme of intellectual and cultural cooperation with the United Kingdom and to the long-standing cooperative relationships with Canada.

MR. LOVETT stressed the need to keep in mind the state of tension in the world and supported the idea of embodying the information unobtrusively in speeches. He felt that the three governments should keep in touch through the Secretariat on the matter of timing.

SIR OLIVER FRANKS supported Mr. Lovett's proposal. He also expressed the view that the publicity should cover more areas of exchange than the draft prepared by the AEC, citing by way of example the area of isotopes. Mr. Lilienthal felt that all areas of technical information should be cited.

The Committee accepted Mr. Lovett's proposal.

#### *VII. Proposed Conversations With Belgians on Implementation of Section 9a of the Agreement of September 26, 1944*

Commenting on the note by the U.S. members concerning conversations with the Belgians (Tab G), MR. LOVETT emphasized that the principal objective in the proposed conversations was to strengthen the hand of Mr. Spaak. It was contemplated that the talks would center upon the possibility of expanding the isotopes program for the benefit of the Belgians and general discussions concerning the status of power production.

MR. LILIENTHAL reported that the Atomic Energy Commission was in process of preparing an outline of topics that might be considered

<sup>6</sup> For information on the Declassification Guide, see footnote 31, p. 687.

in the negotiations and this would be circulated to the members of CPC as soon as possible.

R. GORDON ARNESON

F. W. MARTEN

in the absence of  
Donald D. Maclean

G[EOERGE] IGNATIEFF

[for] Thomas A. Stone

These minutes were approved by the Committee on September 20, 1949.

[Annex G]

[WASHINGTON,] July 6, 1948.

NOTE BY THE U.S. MEMBERS

Subject: Proposed Conversations with the Belgians on Implementation of Section 9a of US-UK-Belgian Accord

As the Committee is aware, Mr. Spaak on behalf of the Belgian Government, has several times asked for assurances with respect to the intentions of the U.S. and U.K. Governments in implementing Section 9a of the agreement of September 26, 1944, which provides for participation by the Belgian Government on equitable terms in the utilization of Belgian Congo ore when such ore is used for commercial purposes. It is apparent that Mr. Spaak needs something of the kind to strengthen his hand vis-à-vis both the nationalistic and Communist elements in Belgium. On January 19, 1948, the Belgian Ambassador at Washington, on behalf of Mr. Spaak, asked the Secretary of State whether the agreements respecting uranium might now be made public and whether the time had now arrived when Section 9a of the agreement would become operative.<sup>7</sup> In oral elaboration of his remarks the Ambassador suggested that even if atomic energy were not now practicable for beneficial applications, nevertheless there might be studies in progress in which the Belgians could usefully participate, within the spirit of the Belgian-U.S.-U.K. Agreement.

The Secretary's reply to the Belgian's inquiries is attached.<sup>8</sup> In brief, this Government did not consider that disclosures about the agreements should be made at that time. With respect to fulfillment of Section 9a of the Agreement, the Secretary reiterated that the U.S. intended to fulfill its obligations but that the era of commercial ap-

<sup>7</sup> For the Belgian note of January 19, see p. 637.

<sup>8</sup> The reply is contained in telegram 348 to Brussels, March 9, p. 693.



plications envisaged by Section 9a was still remote. We did, however, perceive that there might be some special benefit to Belgium in consultation on the use of radioisotopes. The Secretary suggested that the Belgians send scientific representatives here to discuss informally developments in the production and use of these isotopes, and also indicated that this Government should be able to give the Belgian representatives at that time "a clearer idea as to the nature and difficulty of some of the problems which must be solved before there is any prospect of the utilization of atomic energy for commercial purposes."

During the visit here of Mr. Spaak in April,<sup>9</sup> Minister de Groote,<sup>10</sup> who accompanied the Prime Minister, took up these further discussions with representatives of the Department of State. Subject to confirmation by the Belgians it is now planned that there will be informal scientific consultations in Washington in the latter part of August. He appeared to understand and to approve the range of the projected talks. He indicated that in confirming the Secretary's letter the Belgians might attempt some formulation of their informational requirements. This communication is now awaited.

The British Government has been kept currently informed and has agreed to name representatives to participate in these conversations.

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<sup>9</sup> Prime Minister Spaak had accompanied Belgian Prince Regent Charles on a formal visit to the United States in April.

<sup>10</sup> Paul de Groote, Belgian Minister for Economic Coordination and Re-equipment; unofficial assistant to Spaak on atomic energy matters.

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711.329/7-948: Telegram

*The Secretary of State to the Embassy in Brazil*

TOP SECRET

WASHINGTON, July 9, 1948—8 p. m.

511. Dept discussed Embtel 696 June 23,<sup>1</sup> with AEC concluding that Brazilian proposals in present form not acceptable but some modification old agreement possible. Pending further study here, the following action appears desirable:

1. Emb should inform Brazilians that U.S. Govt in receipt proposals and has noted with regret that suggested modifications concerning fissionable source material would permit shipment outside of Western Hemisphere. This govt has always considered the Agreement in light of the mutual security interests of Brazil and the U.S. and

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<sup>1</sup> Telegram 696 from Rio de Janeiro, June 23, not printed, contained the translation of a Brazilian note dated June 21. The note constituted a reply to the United States communication of April 6 which is summarized in telegram 238 from Rio de Janeiro, March 24, p. 701. Telegram 696 included the translation of a draft agreement which formed an enclosure to the Brazilian note. (711.329/6-2348)

would be exceedingly reluctant to acknowledge that the present international atmosphere allows modification and a dilution of the previously agreed principle of control. This govt does appreciate the constitutional problem involved and presently is studying the Brazilian draft proposals in the light of considerations involving the highest long-range mutual objectives of both countries and the security of the Western Hemisphere. Pending conclusions of this review, this govt considers that all provisions of the original agreement (with exception of clause 4 pertaining to prices) should remain in full effect after July 16, until such time as determination of changes mutually satisfactory to both countries can be arrived at through subsequent discussions.

2. Emb should indicate that this govt is prepared to engage in conversations with representatives of Brazil in Rio on this subject first two weeks Sept. (AEC personnel committed until then.)

3. Pursuant to Ambassador Johnson's <sup>2</sup> request made here, Dept and AEC will designate advisors to assist Emb in negotiations. Emerson Brown <sup>3</sup> has been briefed by AEC and will provide background data on his return to Rio about July 16.

4. Inform Dept reaction par 1, if date of negotiations satisfactory, and composition of Brazilian negotiating team.

MARSHALL

<sup>2</sup> Herschel V. Johnson, United States Ambassador in Brazil.

<sup>3</sup> Minerals Attaché, United States Embassy in Brazil.

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Department of State Atomic Energy Files

*The Ambassador in Sweden (Matthews) to the Under Secretary of State (Lovett)*

TOP SECRET

STOCKHOLM, July 15, 1948.

DEAR BOB: Your top secret letter of July 2 <sup>1</sup> concerning Sweden's potential role as a source of uranium reached me on July 10. . . .

We were somewhat surprised at the importance now attributed to Sweden as a potential source of uranium since I had received the contrary impression during my talk with the members of the AEC last October. At that time I understood that the AEC was interested in Sweden primarily as a possible source of industrial equipment for possible export to the Soviet Union and/or its satellites for the development of atomic energy therein for military purposes.

As you will note from the enclosed memorandum, Sweden is at present engaged in a modest program of development of atomic

<sup>1</sup> *Ante*, p. 716.

energy for her own economic needs. I understand the cost, both in money and in manpower, of any sizeable military program would be far beyond Swedish possibilities, even should Sweden desire to embark on such a program. (And I believe the Swedes are well aware of the temptation to the USSR involved in any such important development program.)

As to Swedish cooperation, I think we can at present count on it in two respects:

1. Sweden will not export to Russia or her satellites any equipment which we can show is important to Soviet development of the atomic bomb. (Both in the case of the ceramic kilns for Czechoslovakia and in the matter of Swedish guarantee against re-export of molecular diffusion pumps we have two examples of prompt and complete Swedish cooperation on this.)

2. Sweden will live up to the oral commitment made in 1945 and furnish us with such information as we may require concerning her own development program.

I now come to the nub of the question, namely, the possibility that our own uranium supply problem may compel us to ask Sweden for uranium. I see no likelihood that as of today Sweden would comply with such a request. As the enclosed memorandum states succinctly, "The *sine qua non* for the procurement by the United States of Swedish uranium is the definite abandonment by Sweden of her neutrality policy." Though, as my telegrams have shown, Swedish thinking on neutrality has evolved somewhat and may evolve further after the September elections, Sweden is *still* emphatically neutral minded.

I have hammered home to the Department in my many telegrams (almost, I fear, to the point of "diminishing returns") my conviction that Sweden will only abandon neutrality if she is convinced that the risk of material harm to Sweden of sticking to neutrality will be greater than its abandonment. If this question of Sweden's atomic energy role is really as important as your letter implies, I hope you will reread my letter to you of March 23 and its enclosed copy of my letter of March 16 to Jack Hickerson.<sup>2</sup> Also please see my telegram no. 828 of July 12<sup>3</sup> as the latest of my lengthening series on the subject of withholding military equipment from Sweden. The Swedes still think (a) the United States is in no position to give prompt military aid anyway, (b) the United States is just as apt to come to Sweden's defense whether Sweden retains its neutrality policy until actually invaded or not, and (c) Sweden can obtain just as much equipment from the United States and Britain to strengthen its defense now

<sup>2</sup> Neither printed.

<sup>3</sup> Not printed.

whether she remains neutral or whether she associates herself with Western Powers. That is why it is so important to my mind from the point of view of this little corner that the NSC reach an early and favorable decision on the withholding of any important military equipment from Sweden and endeavor to persuade the British to do likewise. Sweden must then be told, sadly *not* nastily, that we must save all available equipment for our friends and potential allies. If Sweden does abandon neutrality and does associate herself with the West, the chances of our obtaining Swedish uranium would be greatly improved. As indicated in the memorandum, however, I believe *we* would still have to pay for the development of uranium production on any important scale and furnish the necessary technical knowledge and equipment.

In plain English, the recommendation contained in the last paragraph of the memorandum means that if our need for uranium is so urgent, we must be prepared to take very drastic action to modify Swedish policy. I hope, from the point of view of our general policy vis-à-vis Sweden, that is not the case, and that we do not at present need Swedish uranium.

I shall welcome the assignment here of a qualified "Scientific Attaché" if we are going to ask the Swedish Government for technical information on atomic energy. I will not take the matter up with the Swedish Government, however, until I receive the telegram referred to in your letter. . . .

There was one sentence in your letter which I fail to understand and with which I do not feel that I can concur. You say, "It seems to me that the Swedes may now claim that their estimate of the effect of Swedish neutrality on world security is at least entitled to as much credence as ours, or put another way, that it is a matter of opinion whether our interests are best served by their staying on the fence." If you really believe there is validity in that premise, I think I have been wasting my time in trying so persistently to point out the fallacies of Swedish neutrality.

I hope that you are not being completely worn down by the load you are carrying, and this carries with it my very best wishes.

Very sincerely,

DOC MATTHEWS

[Enclosure]

*Memorandum Prepared in the United States Embassy in Sweden*

TOP SECRET

[Stockholm,] 14 July 1948.

Subject: Swedish Uranium

## MEMORANDUM FOR THE AMBASSADOR

From the information available to this office the following is pertinent to Mr. Lovett's letter of 2 July:

1. Uranium deposits in sizeable quantity do exist in Sweden:

[Here follows a brief description of Swedish uranium resources.]

3. With no coal, only small quantities of petroleum developed from oil shale and definitely limited hydroelectric resources, Sweden must seek to develop any indigenous source of power and heat. The promising potentialities of atomic energy are, therefore, of the utmost interest to her from a purely economic standpoint.

4. With limited research facilities and appropriations, Sweden cannot be expected to take an active lead in basic research. She will, on the other hand, husbanding her research and development potential, concentrate on the development, for Sweden's economic needs, of indigenous materials based on research made available to her by the Great Powers.

5. Sweden has a pilot uranium extraction plant in operation at Kvarntorp which has continually run into difficulties. Sweden plans the erection of a small production plant to extract uranium from the kolm deposits at a cost of Kr. 500,000. Because of the difficulty inherent in separating the kolm slivers from shale, kolm separation will amount to 3,000 tons per annum from which the uranium yield will be approximately nine tons. This quantity, the Swedes believe, will be sufficient to construct one pile. The program planning thereafter envisages the erection of an uranium shale extraction plant at a cost of Kr. 10,000,000 with an uranium output of 20 to 35 tons per annum.

Commenting on specific points in Mr. Lovett's letter:

1. Sweden can be expected to abide by the commitments made in her note of 11 September 1945.

2. Our interests would be best served by not approaching Sweden for as much uranium as we can get at this time. Sweden's neutrality thinking has not changed and it is, therefore, reasonable to believe that consistent with that thinking, Sweden will no more now than heretofore favorably consider the export of uranium to any power, much less one of the Great Powers whose avowed utilization of the material is military. The *sine qua non* for the procurement by the United States of Swedish uranium is the definite abandonment by Sweden of her neutrality policy.

3. Sweden will likely cooperate in preventing the knowledgeable export of any device or equipment suitable for atomic energy applications. It is consistent with her neutrality policy.

5. The export of items from the United States in the atomic energy field should be kept apart from the general restriction on military exports. Since we may consider the Swedish atomic energy program to be purely economic in nature, the benefits of which would accrue, in part, to all of Western Europe, we should support the program as a corollary to the Economic Cooperation Act.

### *Conclusions*

It would therefore seem that the primary considerations in this problem are:

1. Must we have the uranium which is known to exist in Sweden.
2. If we must have it, what action or actions on the part of the United States will provide the only condition under which it can be procured, that is, Sweden's orientation to the West by the abandonment of her neutrality policy.
3. How can we best procure the quantity needed by the time in which it is required.

### *Recommendation*

That Mr. Lovett be advised not to apply for the purchase of uranium in Sweden at this time unless the needs of the United States are so urgent that definite action leading to a change in foreign policy by the Swedish government can be accomplished by the United States.

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711.329/7-1548: Telegram

*The Ambassador in Brazil (Johnson) to the Secretary of State*

TOP SECRET

RIO DE JANEIRO, July 15, 1948—3 p. m.

786. During call on Foreign Minister yesterday evening he mentioned that Embassy's note of July 12<sup>1</sup> incorporating substance of Deptel 511 July 9<sup>2</sup> had been brought to his personal attention and that after studying it and the Foreign Office file it was evident that a misunderstanding had arisen owing to failure of his assistants accurately to incorporate his directives in the draft of proposed new agreement. He stated, for example, that there was no intention to permit exportation monazite sands to other foreign powers. Consequently our apprehensions in this respect, though they might be justified on basis

<sup>1</sup> Not printed.

<sup>2</sup> Ante, p. 727.

of new proposed agreement, were in fact without basis. Fernandes indicated accordingly it would be necessary to revise draft agreement and resubmit it to us together with reply to our note above mentioned which he hoped might be accomplished within next few days. He added that during interim period pending conclusion of a new agreement the present agreement, although lapsing July 16, would be considered still in effect.

JOHNSON

711.329/8-948: Telegram

*The Secretary of State to the Embassy in Brazil*

TOP SECRET

WASHINGTON, August 9, 1948—2 p. m.

593. In view Brazilian ForMin statement reported Embtel 790 July 16<sup>1</sup> that until new agreement concluded old one remains in force, Dept and AEC agree there is no need to urge negotiations at early date. Status quo entirely satisfactory here.

Presume Brazilians still intend submitting new draft as reported Embtel 786, July 15.<sup>2</sup> Whether this imminent or not Emb should inform Brazilians along following line.

1. Dept understands that proposals of FonOff for modification of agreement July 16, 1945 do not imply any question by the FonOff as to the binding character of the provisions in the agreement as negotiated by the two Govts or any question as to modifications of the agreement before negotiation between, and concurrence by, the two Govts.

2. That the Govt of Brazil accepts the faithful observance of agreements as a fundamental duty of states is evidenced by its support of such principles in international agreements.

3. Dept understands it to be traditional policy of the Govt of Brazil to continue to respect its international undertakings in spite of any changes in its domestic situation. This policy is of long standing. For example, when the monarchy of Brazil was overthrown, the Govt of the Republic which succeeded it announced that it would "respect strictly all engagements and contracts entered upon by the state". (Tel of Mr. Barbosa to Mr. Blaine Nov. 23, 1889.<sup>3</sup>)

4. The assertion that a change in the social order of a contracting party confers upon it the right to free itself from the contractual obligations which it accepted through the agency of a previous governmental regime is considered to be not only heedless of the significance of the elements entering into the thought of the contracting

<sup>1</sup> Telegram 790 from Rio de Janeiro, July 16, not printed, contained the translation of a note dated July 15 from the Brazilian Foreign Office to the Embassy. The Brazilian note constituted a reply to the United States communication of July 12, the substance of which appears in telegram 511 to Rio de Janeiro, July 9, p. 727. (711.329/7-1648)

<sup>2</sup> *Supra*.

<sup>3</sup> *Foreign Relations*, 1889, p. 70.

parties when they undertook to contract but also to ignore the full measure of the capacity of the parties at that time to make enduring commitments.

If reaction to foregoing appears to make it appropriate, Emb may indicate that Dept nevertheless would appreciate views Brazilian Govt may have on constitutional and legal questions involved from their point of view.

Dept does not see how it can agree to make public the old agreement or any modification thereof. Moreover, a new agreement entered into at this time would raise the serious question of registration with the UN under Article 102 of the Charter. Accordingly Dept intends at this time to stand on contractual rights embedded in original agreement with the understanding that price and quantities stipulations are negotiable in accordance with provisions of that agreement.

MARSHALL

Department of State Atomic Energy Files

*Memorandum of Meeting, by Mr. Donald F. Carpenter, Deputy to the Secretary of Defense (Forrestal) on Atomic Energy Matters*<sup>1</sup>

TOP SECRET

[WASHINGTON,] 12 August 1948.

Memorandum of meeting at 11 a. m., 12 August, with the following in attendance:

Senator Vandenberg  
Senator Hickenlooper  
Secretary Forrestal  
Dr. V. Bush  
D. F. Carpenter

The meeting was called at Senator Hickenlooper's request to discuss exchange of information on atomic energy with Canada and the United Kingdom. Senator Hickenlooper stated that at the time this matter was reviewed with Senator Vandenberg and himself last December it was understood that information would be exchanged in 3 areas. Now, he finds that exchange is proceeding in 9 areas.

Dr. Bush advised that this was not an expansion, but a more clearly defined breakdown of the previously contemplated exchange.

<sup>1</sup> Carpenter was Chairman of the Military Liaison Committee to the United States Atomic Energy Commission, which had been established by the Atomic Energy Act of 1946 and consisted of representatives of the National Military Establishment. The Committee was charged with providing liaison between the NME and the USAEC on military application of atomic energy, including manufacture, use, and storage of bombs, the allocation of fissionable material for military research, and control of information relating to military application. The committee also served as the primary staff agency of the Secretary of Defense on atomic energy matters.



Senator Hickenlooper stated that it was his understanding that England's primary activity was to be along the lines of power production, and there was no indication of their entering into weapon production. He now finds that they are actively engaged in the production of plutonium, which could mean nothing to him but the production of weapons.

Dr. Bush stated that it was well known to everyone last December that England was already engaged in experimental work on plutonium and intended to continue, and that the British Government had previously advised that they were working towards the production of atomic weapons, therefore the recent information was of no surprise to him. D. F. Carpenter advised that in the allocation for raw materials last December it was clearly stated that certain quantities were anticipated for plutonium piles in England, and that this is a matter of record.

Senator Hickenlooper stated that he had just today received information that Dr. Cyril Smith<sup>2</sup> had been sent to England to exchange information on certain topics, and his instructions as set forth in a letter from Dr. J. B. Fisk to Dr. Cyril Smith dated July 26, 1948,<sup>3</sup> included exchange of information on the "basic metallurgy of plutonium." He felt that this was definitely weapon information, and there was no possible justification for its exchange under agreed upon procedures.

Dr. Bush and D. F. Carpenter agreed that it should not be included in the exchanges under Area 9.<sup>4</sup>

It was pointed out that under the law it was clearly indicated that national security should be paramount, and further that the exchange of scientific and technical information is encouraged. Exchange of information for industrial purposes, however, is prohibited until satisfactory international controls are established.

It was recognized that the exchange of "scientific and technical information" can be interpreted very broadly.

It was recognized that any exchange of information on scientific or technical matters on atomic energy would aid the British in some degree in their activities in the production of weapons, and that since we know that they are engaged in production of plutonium, probably for weapons, we must recognize that any exchange will be beneficial to them, at least in some degree. This was generally recognized.

<sup>2</sup> Metallurgist; Member of the General Advisory Committee of the United States Atomic Energy Commission.

<sup>3</sup> Not printed.

<sup>4</sup> "Area 9" refers to the 9th point of the report of the Sub-group on technical cooperation, approved by the Combined Policy Committee at its meeting of January 7, 1948. Point 9 specified that there would be exchange of information regarding general research experience with low power reactors at certain laboratories in the United States, United Kingdom, and Canada.

D. F. Carpenter pointed out that the information which we would secure would well be beneficial to us. He stated that at the present time we desired information from the British and Canadians on the subjects of separation chemistry and heavy water pile operations and on several other subjects which would be of value to us.

It was generally recognized that this type of information would be of value to us and is desirable.

The question was raised as to the type of control that we had over the exchange of this information. D. F. Carpenter advised that we had already started in operation a procedure where the Military Liaison Committee would be advised in advance of any proposed contacts, would receive full information on the proposed agenda and the personnel making the contact, that we would review the agenda and file objections where they were indicated, also that we would undertake to send our own representatives where it seemed desirable to do so, and that we would discuss the results of the trip with the people involved immediately afterwards. It was felt that this would give the National Military Establishment adequate assurance of the proper conduct during these contacts.

Dr. Bush advised that up until recently he has been advised by the Commission of the explicit interchanges to be conducted, and he found them to be within the defined areas.

D. F. Carpenter stated that the extent of the contacts has been accelerating. It started out rather gradually and has just recently become so extensive as to require definite control procedures.

Senator Vandenberg indicated that he felt the responsibility of the Military Liaison Committee was clearly established under the law and that their authority should be exercised in this connection and that the proposed procedures seemed satisfactory.

Senator Vandenberg asked if it was necessary to double check the Commission in all these matters, asking if we have the type of Commission that requires double checking. Dr. Bush and D. F. Carpenter both indicated that they felt that in this area exchange of information had been carried on satisfactorily and that the proposed exchange of plutonium metallurgy was the first indication of exchange beyond the designated areas.

It was stated that procedures were recognized last January for the allocation of raw materials and for the exchange of certain areas of technical information. A refusal on our part to continue the exchange of technical information described within these areas would probably lead to ill will and might serve to open up the whole subject of allocation of materials and resurrect any prior misunderstandings which may have existed. This would be undesirable.

Mr. Forrestal stated that it was his understanding that at the meeting of the American Members of the Combined Policy Committee last November,<sup>5</sup> our primary objective was to secure raw materials. We did not want to see a large scale atomic energy plant located in the British Isles, but that if we could secure these objectives and if there were substantial useful information which we could obtain from the British, then we should go ahead with the exchange.

*Conclusions:*

1. We should continue to exchange information within the 9 areas approved in the Modus Vivendi which were established on the advice of scientific and technical individuals who gave assurance that exchange within these areas would be to mutual benefit and that such exchange would not be giving to others substantial information on weapons.

2. The Military Liaison Committee would maintain sufficiently close contact with the exchange of technical information to insure the National Military Establishment that the procedures are followed and are not detrimental to the responsibilities of the National Military Establishment.

3. Although it is recognized that manufacture of plutonium will probably be commenced in England, we should attempt to influence England to have actual bomb production carried on in Canada rather than in England.

D. F. Carpenter phoned Mr. Sumner Pike, Acting Chairman of the Atomic Energy Commission, at 3:00 P. M., 12 August, advising of the objection to exchange of information with the British on basic metallurgy of plutonium. Mr. Pike stated that this had already come to his attention and that he had already sent two cables to Dr. Cyril Smith in England instructing him to withhold exchange on this item. Mr. Pike was not certain that this exchange might not already have commenced.<sup>6</sup>

D[ONALD] F. CARPENTER

<sup>5</sup> For the Minutes of the Meetings of the American Members of the Combined Policy Committee, November 5, 24, and 26, 1947, see *Foreign Relations*, 1947, vol. I, pp. 852, 866, and 870, respectively.

<sup>6</sup> Dr. Smith had not yet consulted with British scientists at Harwell. For additional information on his visit, see Hewlett and Duncan, pp. 289-293.

Department of State Atomic Energy Files

*Memorandum by the Chairman of the Research and Development Board (Bush) to the Secretary of Defense (Forrestal)*

SECRET

[WASHINGTON,] 12 August 1948.

Subject: British Plutonium Production

You have asked me through the Chairman of the Military Liaison Committee to comment upon the recent exchange of memoranda among members of the Atomic Energy Commission with respect to the "discovery" of Mr. Strauss that the British are actively engaged in the development of atomic weapons and that their research and development work on reactors is in the direction of plutonium production. With this request I am glad to comply, for I do not feel that the British have failed to abide by the general arrangements made last January by the Combined Policy Committee.

You will recall that for more than a year commencing in the winter of 1945-1946 our close war-time relationships with the British and Canadians in atomic energy matters were permitted to fall into disuse. When our raw material situation became acute, we reopened negotiations with them. Preliminary meetings of the American members of the CPC were held in November 1947, and the entire matter was thoroughly discussed. I am sure that of the persons present at those preliminary meetings no one had any idea that the British would refrain from either production of plutonium or the development of atomic weapons. I believe that I stated at one of those meetings that the British and Canadians were in fact going ahead on their own despite the fact that our collaboration had virtually ceased. As a member of the war-time CPC I was well aware of the extent of British knowledge in this field and of their feeling that for domestic political reasons, as well as in the interests of their national security, they could not afford to refrain from such activities. Moreover, I have an impression that by the time of the formal CPC meetings last December and January<sup>1</sup> the British had already informed their own people that they were engaging in work on atomic weapons.

In addition to my recollections, the record is clear on this issue. The schedule of allocations of raw materials prepared by a group which included the General Manager of the Atomic Energy Commission, was based on a report of estimated consumption of uranium which was submitted to the entire CPC.<sup>2</sup> This report states that British requirement was for the construction and operation of two air-cooled piles for

<sup>1</sup> For the Minutes of the Meetings of the Combined Policy Committee, December 10 and 15, 1947, see *Foreign Relations*, 1947, vol. I, pp. 889 and 897, respectively. For the Minutes of the Meeting of January 7, 1948, see p. 679.

<sup>2</sup> The agreement on allocations, January 7, 1948, is printed p. 685.

the production of plutonium. I am somewhat at a loss to understand how on this record any question could now be raised as to the intentions of the British Government. This is particularly true since although the British expressed a marked interest in deriving usable power from nuclear reactors, the American members, on the basis of our own experience, must have been well aware that many years of development would be required in order to utilize these reactors to obtain significant amounts of power.

V. BUSH

661.009/8-1648: Circular airgram

*The Secretary of State to Certain Diplomatic Missions Abroad*<sup>1</sup>

SECRET

WASHINGTON, August 16, 1948—12:50 p. m.

Subject: Prevention of Export of Atomic Energy Materials and Equipment to Soviet Countries<sup>2</sup>

Reference is made to various communications between the Dept and certain of the posts listed at the close of this airgram pursuant to which (a) Emb London and US authorities in Germany have taken steps to secure establishment of controls similar to those used in US to prevent export or trans-shipment of atomic energy materials to countries and areas under Soviet domination and (b) Stockholm and Bern have been instructed regarding specific cases of this nature.

Dept, in collaboration with AEC, has also taken steps to encourage establishment of controls over export of these materials from Canada, Japan, South Korea and Brit Occupation Zone of Germany. Assurances have been received from UK and Canadian Govts that suitable procedures will be initiated and it is expected that US occupation authorities in Japan and Korea and US and UK authorities in Germany will be able to secure reasonable degree of control in their respective areas.

The use of diplomatic channels to secure control objectives in field of atomic energy has been considered in the light of contemplated activities of ECA. As indicated in Dept's recent cable of July 26 (sent London as 2793, repeated to other OEEC capitals)<sup>3</sup> US contemplates

<sup>1</sup> This circular airgram was sent for action to the following missions: 1. Bern, 2. Stockholm, 3. Brussels, 4. The Hague, 5. Rome, 6. Oslo; the airgram was sent for the information and comments of the following missions: 7. Paris, 8. Copenhagen, 9. Vienna, 10. Luxembourg, 11. Dublin, 12. Reykjavik, 13. Athens, 14. Ankara, 15. Lishon, 16. London, 17. Frankfurt, 18. Berlin; it was sent for the information only of the following missions: 19. Moscow, 20. Warsaw, 21. Helsinki, 22. Prague, 23. Belgrade, 24. Budapest, 25. Trieste, 26. Bucharest, 27. Sofia, 28. Madrid.

<sup>2</sup> For documentation on general United States policy on trade with the Soviet Union and Eastern Europe, see vol. iv, pp. 489 ff.

<sup>3</sup> Not printed.

seeking by negotiations through US Special Rep under EC Act (Harriman)<sup>4</sup> cooperation of all participating countries with respect to export to Eastern Europe of items important to the war potential of the USSR, envisaging establishment of controls similar to those now in effect in US, pursuant to powers vested in Dept of Commerce under the Second Decontrol Act of 1947.<sup>5</sup> In connection with consideration of the broader program, the question was of course raised as to whether atomic energy materials should be included. As a result of discussions between representatives of the Dept and ECA, ECA has expressed its concurrence with Dept's view that approaches to Govts of OEEC countries looking toward establishment of suitable controls over export of atomic energy items should be made separately through diplomatic channels. This view based primarily on belief that since control of such materials is of high security interest both to US and to such countries, and also since monetary value of materials is not likely to be an important factor in their foreign trade, use of ECA leverage, or any appearance of its use, is neither appropriate nor necessary. It is agreed that Dept (acting on behalf of AEC) will keep ECA fully informed and consult from time to time on activities re AEC items.

In order to achieve similar cooperation of all friendly countries capable of supplying materials of usefulness in Soviet atomic energy development, it is desired that the posts numbered 1 to 6 designated for action at the end of this airgram, initiate discussions with the Govts of the countries of respective assignment to ascertain 1) the extent to which these materials are produced or capable of being produced in each respective country, 2) whether any significant orders for delivery to Eastern Europe are now pending, 3) what supervision or controls either informal or official are now exercised over export of these items, and 4) whether it may be desirable to offer technical assistance of USAEC to delineate specific items of importance in atomic energy field. Depending on the outcome of these initial discussions as reported to the Dept, the various Officers in Charge will be instructed as to further required action. Posts 7 through 15, for whom this airgram is sent at this time for info and comment, will be instructed by the Dept at an appropriate stage regarding necessary action. Issuance of these instructions will be governed by various conditions including need for action and the availability of AEC technicians re 4) above. Meanwhile any comments or information pertaining to the subject under reference will be of interest to the Dept. France considered special case and Dept solicits views of Emb Paris regarding the advisability of making initial exploration of the subject through reliable French officials.

<sup>4</sup> W. Averell Harriman, Special Representative of the United States Economic Cooperation Administration in Europe.

<sup>5</sup> Public Law 188, 80th Cong., 1st sess., July 15, 1947 (61 Stat. 321).

The following lists indicating items of atomic energy usefulness and current US policies with respect to export of such materials, have been prepared by the AEC in collaboration with Commerce and other Departments concerned with export controls and ECA has been informed of composition of lists per agreement referred to above. These lists are transmitted herewith for the guidance of the Officers in Charge in connection with the contemplated discussions with other govts. For purposes of this airgram, its provisions apply to all countries and areas under Soviet domination including Northern Korea, North China and Manchuria and those countries from which trans-shipment is considered likely.

List A\* comprises most items now controlled under formal export regulations issued publicly by the AEC pursuant to its responsibilities under the Atomic Energy Act of 1946. There is, of course, no objection to the disclosure of this list to the representatives of other govts and Dept suggests that all items on List A be given frank and open discussion. As objective of such discussions, it is desired that other govts institute procedures over List A items similar to those now practiced by the US to embargo shipment of these materials to countries in the Soviet orbit and to lessen the likelihood of trans-shipment to Soviet dominated countries through careful screening of reliability of consignees and of reasonable requirements for such materials in the country of destination.

For the information and use of the Missions in connection with this airgram, there are being transmitted under cover of a separate instruction, copies of the two basic regulations of the Atomic Energy Commission specifying List A items, namely Part 40 and Part 50 of Title II, Atomic Energy, Code of Federal Regulations entitled respectively, "Control of Source Materials" and "Control of Facilities for Production of Fissionable Material".

List B\* includes those items which have some general industrial application but which also have utility in the atomic energy field. Export of the subject items from the US are controlled by the AEC in collaboration with the Dept of Commerce through use of the licensing authority of the latter, supplemented by the voluntary compliance of US manufacturers which is deemed essential to the maintenance of any close control.

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\*(Officers who have seen ECA cable Torep 183, July 15, with supplementary Airgram Torep A-3, July 19, will note that the latter includes some items also appearing on Lists A and B of this communication. Steps are being taken here to reconcile such conflicts, and, pending further clarification, Dept-AEC Lists herewith should govern in all instances.) [Footnote in the source text. Neither telegram 183 nor airgram Torep A-3 is printed.]

\* See footnote \*, above.

Because of the especial importance of materials and equipment on List B in possible facilitation of Soviet atomic energy production program it is desired that insofar as possible all exports to the USSR or its satellite areas should also be completely embargoed.

It is probable that the various European govts may be unaware of the significance of some of the items on List B. As it is undesirable to disseminate list on wider basis than required, Dept suggests the Officer in Charge be guided by the following in conducting his investigations: (1) List B in its entirety is intended for the Mission's info only, and is to be handled solely by the Officer in Charge. However, at his discretion, he may reveal its contents to designated officers in his Mission. (2) Individual items should not be disclosed to the other Govts unless it becomes apparent that a specific material or item is or potentially may be produced or manufactured in the country. (3) In order to develop info without unnecessary disclosure of List B items, it is suggested that the initial inquiries of the Officer in Charge be of a general and broad nature and that, depending on the response, he subsequently narrow the discussion toward the specific List B items of interest.

#### LIST A

(Requiring AEC Export License)

##### *Materials*

1. Uranium metal, thorium metal, metals and alloys containing uranium and thorium.
2. Uranium compounds, including the following:
  - a. Uranium (or uranyl) acetate
  - b. Uranium (or uranyl) nitrate
  - c. Sodium uranate
  - d. Uranium oxide or dioxide
3. Thorium compounds including the following:
  - a. Thorium nitrate
  - b. Thorium dioxide (thoria)
4. Monazite sand or other thorium containing ores
5. Carnotite, pitchblende or other uranium containing ores

##### *Facilities and Equipment*

1. Class I Facilities (Facilities capable of producing fissionable material)
  - a. Nuclear reactors or piles
  - b. Facilities capable of separating isotopes of uranium, e.g., by electro-magnetic or gaseous diffusion processes
  - c. Electronuclear machines
    - 1) Cyclotrons
    - 2) Betatrons



- 3) Synchrotrons
- 4) Synchro-cyclotrons
- 5) Van de Graaff machines (electrostatic generators)
- 6) Linear accelerators

## 2. Class II Facilities

### a. Radiation detection instruments and their components

- 1) Geiger Mueller, proportional or parallel plate counter scalars
- 2) Geiger Mueller or proportional counter rate meters
- 3) Scalers, all types adaptable to radiation detection
- 4) Geiger Mueller, proportional audio, or mechanical detectors
- 5) Integrating ionization chamber meters and ionization chamber rate meters
- 6) Geiger Mueller, proportional, or parallel plate counter detector components
- 7) Micromicroammeters capable of measuring currents of less than 1.0 micromicroampere
- 8) Counter pulse rate meters
- 9) High gain, high impedance linear pulse amplifiers
- 10) Geiger Mueller quenching units
- 11) Geiger Mueller or proportional coincidence units
- 12) Electroscopes and electrometers, pocket and survey types, including dosimeters
- 13) Chambers, pocket-type, with electrometer charger-reader
- 14) Electrometer-type electronic tubes with input grid currents of less than 1 micromicroampere
- 15) Resistors, values above 1,000 megohms

### b. Mass spectrometers and mass spectrographs including components

- 1) Ion sources, mass spectrometer or spectrograph types
- 2) Acceleration and focusing tubes
- 3) Ionization chambers
- 4) Micromicroammeters
- 5) Electrometer-type tubes as above
- 6) Resistors, values over 1,000 megohms

### c. Leak detectors, mass spectrometer type

### d. Vacuum diffusion pumps 12 inches diameter and larger (diameter measured inside the barrel at inlet jet)

## LIST B

(Controlled Through OIT, Department of Commerce)

### Materials

1. Beryl, beryllium metal, beryllium alloys, beryllium oxides and other beryllium compounds, in all forms, except fabricated alloys.
2. Elemental fluorine, fluorocarbons and fluorine compounds, except hydrofluoric acid and fluorspar.

3. Zirconium oxide in all forms.
4. Graphite, artificial (excluding integral parts of equipment).
5. Diffusion pump oils (oils enabling the attainment of vacuum of .0001 millimeters of mercury pressure absolute in a single stage diffusion pump; including silicone diffusion pump fluids).
6. The following metals and their compounds: germanium, indium, rhenium, rhodium. Also cerium except in lighter flints and abrasives, lanthanum, and all other rare earths.
7. Heavy water. (Applicable to Norway and Italy only.)

### *Equipment*

1. Mechanical (dry) vacuum pumps, with capacities of 20 cfm or more and capable of producing a vacuum of 1 mm of mercury pressure.
2. Diffusion vacuum pumps, mercury and oil types, 5" to 12" in diameter at inlet jet.
3. Induction furnaces for melting metals under vacuum.
4. The following high precision laboratory instruments:
  - Spectrophotometers
  - Microphotometers
  - Spectrometer, optical
  - Galvanometers (except student types)
5. Vacuum gauges (ionization type).
6. Valves, bellows type, except as integral parts of equipment.
7. Stainless steel pumps.
8. Centrifuges, stainless steel industrial process type.
9. Glass working lathes.
10. Insulators of especially high dielectric strength at elevated temperatures (such as those with high zirconia and high alumina content).
11. Electrolytic cells for the production of fluorine.
12. Especially pure refractory materials for exceptionally high temperatures, including fabricated forms. (Such as beryllia, zirconia, and alumina.)

MARSHALL

Department of State Atomic Energy Files

### *The British Embassy to the Department of State*

TOP SECRET

### ATOMIC ENERGY: SWEDEN

When Sir Edward Appleton<sup>1</sup> was in Stockholm recently he was approached by Dr. H. Sterky, Director General of Telegraphs, who

<sup>1</sup>Secretary, British Department of Scientific and Industrial Research.

is a member of the Swedish Atomic Energy Committee. Dr. Sterky will be visiting the United Kingdom some time in October for official business with the United Kingdom Post Office and asked whether it would be possible for Great Britain and Sweden to exchange information on the two following topics:

- (a) Protection of the civil population and troops
- (b) Engineering information on piles

2. Dr. Sterky also told Sir Edward Appleton that the Swedes have solved the problem of extraction from their low grade shale deposits, at least in principle.

3. London have simultaneously had under consideration the proposal put forward by the American authorities for an approach to the Swedish Government about their atomic energy programme. They feel that it would be preferable to keep the two matters distinct. If the United Kingdom and the United States were to engage the Swedes in general discussion about the respective atomic energy programmes, the point would very soon be reached where the United States and the United Kingdom would have to withhold information on security grounds. This might make the Swedes reticent about their own programme. London feel, therefore, that a general discussion of this nature should be avoided.

4. They suggest that the proposed approach to the Swedish Government should be proceeded with. Their own preference would be for the United States representative to refer the Swedish requests for the purchase of atomic energy equipment from the United States and to say that it is difficult for the United States authorities to decide whether to permit their export without a general knowledge of the Swedish atomic energy programme. London would like His Majesty's Ambassador in Stockholm to be kept closely informed and to accompany the United States Ambassador in his approach.

5. As to Dr. Sterky's request, London propose at the appropriate time to explain that they are unable to exchange information on the engineering of atomic energy piles. As to the protection of the civil population and troops, they would propose to provide such declassified information as is already in fact available from public sources.

6. London would be grateful for the comments of the American authorities on the foregoing.

[WASHINGTON,] August 20, 1948.

Department of State Atomic Energy Files

*The British Embassy to the Department of State*

TOP SECRET

ATOMIC ENERGY: NORWAY

The Norwegian Atomic Energy Institute is planning the construction of a small heavy water pile. Some months ago they asked London whether the latter could supply five tons of metallic uranium as feed for this pile. London were obliged to plead raw material shortage and stated their inability to supply.

2. The Norwegians have now returned to the charge stating that they have small pitchblende deposits in Southern Norway from which they hope to be able to obtain from 10-20 tons of oxide in concentration of about 50%. They have asked whether London would be prepared to treat this material at Springfields and return it to them in the form of pure oxide, which they would then put into their pile in oxide form. They would pay whatever refining charge was quoted.

3. The processing of 10-20 tons of concentrates at Springfields would occupy but a fraction of the plant capacity and no more than a negligible quantity of the processing materials, acids, &c. The Norwegians are content that the work should be done at any time convenient to London.

4. London feel that, on balance; they ought to accept this proposal. The Norwegians state that, if London are not able to refine for them, they will be obliged, despite the expense, to build a small refining plant of their own. Such a plant would be available to any foreign power which might occupy Norway in the event of war. The Norwegians would not, of course, acquire any knowledge of the technicalities of the Springfields plant if the work were done there.

5. London wish to know whether the U.S. authorities agree with their view.

[WASHINGTON,] August 20, 1948.

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*Editorial Note*

On August 21, 1948, David E. Lilienthal, Chairman of the United States Atomic Energy Commission, spoke at the Preview Supper for the Opening of the Atomic Energy Exhibit at the New York City Golden Jubilee Exposition. His remarks contained acknowledgment that the United States had continued wartime cooperation with Britain and Canada in atomic energy development, in certain limited areas. For information on the circumstances of the speech, see Hewlett and

Duncan, page 289. The text of the address was released as a United States Atomic Energy Commission Press Release, August 21.

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Department of State Atomic Energy Files

*Memorandum of Conversation, by Mr. R. Gordon Arneson, Special Assistant to the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] August 25, 1948.

Subject: Informal U.S.-Belgian Technical Discussions

Participants: Secretary of State  
Belgian Ambassador, Baron Silvercruijs  
Professor M. de Hemptinne<sup>1</sup>  
Mr. Paul Gerard<sup>2</sup>  
Mr. R. Gordon Arneson

The Belgian Ambassador expressed appreciation for the fact that the Belgian Government had been invited to send technical representatives to the United States to engage in informal discussions with qualified scientists and technicians of the Atomic Energy Commission concerning (a) radioisotopes, and (b) prospects of commercial power from atomic energy. He felt confident that the Belgian representatives would be glad to give any information concerning Belgian activities in the field of atomic energy which the U.S. Atomic Energy Commission might find useful. He expressed the hope that these informal discussions might be "just a beginning" rather than the end of mutually useful interchange of views. He was familiar with the limitations of domestic legislation but felt, nevertheless, that useful information could be given to his people.

The Secretary expressed his admiration for the steadfast manner in which the Belgian Government had carried out its undertakings under the 1945 [1944] agreement. He hoped, too, that the present informal discussions might be found profitable to continue from time to time. He pointed out, however, that the McMahon Act of 1946 placed rather sharp limitations on the nature and extent of information that could be made available.

He expressed the view that within the limitations of domestic legislation and considerations of national security it would still be possible to give the Belgian representatives an accurate appraisal of the present status and obstacles to be overcome with regard to power possibilities. He stated that it was his understanding that some rather useful knowl-

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<sup>1</sup> Alexandre de Hemptinne, Chairman of the Scientific Committee of the Inter-University Institute of Nuclear Physics of Belgium.

<sup>2</sup> Belgian Government Representative on the Scientific Committee of the Inter-University Institute of Nuclear Physics of Belgium.

edge might be gained concerning radioisotopes and commented in passing that it might very well one day prove to be true that the most useful peacetime application of atomic energy would lay in this field.

In sum, the Secretary indicated that the time had not, in fact, arrived when the United States and the United Kingdom could give practical effect to their undertakings under section 9(a) of the 1945 [1944] agreement.

In commenting upon some of his experiences during the war with the Manhattan Project the Secretary made evident the magnitude of effort involved in any serious activity in this field not only in terms of financial outlay but materials, space, personnel, and industrial capacity as well.

At the conclusion of the talk, the Secretary suggested that if it proved feasible he would be glad to receive the Belgian representatives again to learn from them at first hand whether they had found the informal discussions useful.

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858.646/8-3048: Telegram

*The Secretary of State to the Embassy in Sweden*

TOP SECRET

WASHINGTON, August 30, 1948—4 p. m.

646. 1. Further discussions in Dept and AEC re our Swedish policy on atomic energy have developed following agreed views: .

- a. Safest place for Swedish uranium is in the ground.
- b. At this time AEC more interested in gaining info concerning Swedish Atomic Energy program than in taking any steps now to secure Swedish uranium.
- c. However, volume Swedish applications to US for equipment useful in field of atomic energy exceeded only by those from Canada. A few are items of the sensitive type. While recent Swedish application for large vacuum diffusion pump has been withdrawn, magnitude of other applications and fact that application was originally made for this item raises questions concerning purpose of Swedish program.
- d. Although we have oral commitment by Unden 1945 that Sweden would inform US of her resources and production uranium-bearing materials, it is felt more desirable at this time to raise questions submitted below on basis of gaining info for US in order that proper action may be taken on pending applications for equipment related to atomic energy activity.

2. In view of above, Dept desires Emb approach Unden near future along following lines:

This Govt has received many requests from Sweden in the past months for certain equipment that is normally utilized in connection with atomic energy research and development. The importance of the

subject of atomic energy, particularly from the standpoint of the security involved, requires this Govt to weigh carefully all requests for equipment. The US desires make decisions on the release of equipment on the basis of a reasonable judgment as to the nature of the activity in which the equipment is to be utilized. It would help this Govt, particularly on the pending applications for equipment and for such other applications that may be transmitted in the future from Sweden, if the US had certain info in reference to the Swedish atomic energy program. Info along following lines would be most helpful:

*a.* What is purpose of Swedish Atomic Energy Program? Atomic weapons? Production of power? Production of fissionable materials? Research?

*b.* What is rate of progress on planned program, particularly on extraction of uranium from shales? What processes of extraction are employed or contemplated and what grades of materials obtained?

*c.* Is Sweden obtaining uranium above planned program needs? If so, what disposition of stocks contemplated?

*d.* In view reported Soviet activity in development of Esthonian oil shales, are Swedish technological secrets adequately guarded?

3. Dept informed by British Emb that Dr. Sterky, member of Swedish AEC will visit London in Oct and intends raise question whether UK and Sweden might exchange info on:

- (a) Protection of civil population and troops.
- (b) Engineering info on piles.

As to (a) British plan to provide such declassified info as is already available from public sources. Re (b) they plan to state they are unable to comply.

4. UK has suggested, and Dept concurs, that UK Ambassador Stockholm act with Emb in approach to Swedes and be kept informed of developments.

5. For your info only:

*a.* In making approach to Unden: (1) Emb may wish to acknowledge fact that Sweden has indeed given considerable publicity to atomic energy activities. Info thus available, however, not deemed sufficient. (2) If Emb has not already done so in connection with circular airgram Aug 16,<sup>1</sup> it may wish to express appreciation to Sweden for past cooperation in taking action to prevent export of sensitive items to USSR. (3) Dept not prepared to entertain approach by Sweden for reciprocal exchange of info, nor can favorable action on pending applications for equipment be guaranteed in exchange for Swedish replies to questions posed.

*b.* AEC and Dept have candidate scientific attaché for Stockholm presently awaiting AEC clearance. However, subject of assignment will be covered by separate instruction.

MARSHALL

<sup>1</sup> Ante, p. 739.

Department of State Atomic Energy Files

*The Head of the British Naval Mission in the United States (Moore)  
to the Secretary of Defense (Forrestal)*<sup>1</sup>

TOP SECRET

[WASHINGTON, September 1, 1948.]

MEMORANDUM FOR THE UNITED STATES SECRETARY OF NATIONAL DEFENCE FROM THE MINISTER OF DEFENCE IN THE UNITED KINGDOM <sup>2</sup>

Now that our own production programme is well launched and we are in a position to make use of information received and make an increasing contribution to the common effort, I should like to propose that the existing arrangements for collaboration between the United States and the United Kingdom on atomic energy matters should be extended to include an exchange of information on atomic weapons.

2. I make this proposal in the sincere belief that United States and British strategic interests and national defence policies are fundamentally identical, and that a frank exchange of information on this vital matter would be to our common interest. In particular, I believe that:—

(a) Our National Defence policies are directed to the prevention of war, and that the best way to do this is for both of us to be strong. The atomic weapon is the greatest single source of military strength in the world at present, and it is in the interests of the security of the United States, as well as that of the United Kingdom that both countries should develop it to the maximum of their ability, and with all possible speed. The closer we can work together on its development, therefore, the greater will be our combined strength.

(b) The atomic weapon which the United States already have and the United Kingdom will have in the not too distant future, is likely to be the greatest single factor in deciding the outcome of any future world conflict. It must, therefore, play a vital part in all United States and British strategic thinking; in the framing of defence policy, in the shaping of strategical and tactical plans, in the planning of the war potential, in the design of equipment, in the training of the men who will use it, and in planning the protection of those who may have to withstand the weight of its attack from the enemy. If we fail to prevent war and are to make the best use of the weapon in war, it is vital that we should share our knowledge of it and concert our thinking on every aspect of its development.

(c) In a future world conflict United States and British forces will find themselves fighting side by side and the principle of standardiza-

<sup>1</sup> Adm. Sir Henry Moore presented this memorandum to Secretary Forrestal during a conversation on September 2. The source text was transmitted by the British Embassy to the Department of State. It was dated stamped by the office of the Under Secretary on September 7 and bears the initials of the Secretary and the Under Secretary.

<sup>2</sup> Rt. Hon. Albert V. Alexander.



tion has already been accepted in other fields. It is common sense that it should be extended to cover the most vital field of all so that the design of the United States and British equipment and the technique of United States and British production and tactics can proceed as far as possible in step.

(d) As the United Kingdom programme develops we feel sure that the contribution we can make will not be inconsiderable.

3. I hope that you will agree that full exchange of information on the military uses of atomic energy is of fundamental importance to both our countries. I realise however that such a policy, however desirable, may be difficult to implement quickly. I have therefore had prepared a list of topics to cover at this stage only that information which would be of great and immediate assistance to our own programme. I shall be glad to know whether you would be prepared to support my suggestion that an exchange of information on these topics should be authorised, if I were to arrange for it to be put forward in the Combined Policy Committee in the near future. It would of course be understood that any information which we might receive under those arrangements would be subject to special standards of security which would be agreed between us.

4. The British Chiefs of Staff attach immense importance to this exchange and believe that the United States Chiefs of Staff would see the force of the arguments set out in paragraph 2 above.

#### Appendix

#### LIST OF TOPICS ON WHICH AN INTERCHANGE OF INFORMATION WITH THE UNITED STATES IS PROPOSED

##### I. AREAS OF COLLABORATION WHICH WOULD BE OF GREAT AND IMMEDIATE ASSISTANCE TO OUR PROGRAMME FOR THE DESIGN AND MANUFACTURE OF ATOMIC BOMBS

(1) The metallurgy and methods of fabrication of plutonium with particular reference to its use in bombs.

(2) Proximity fuses, with special reference to their vulnerability to external interference.

(3) Arming and safety devices in the aircraft in order to permit carriage of U.S. bombs in British aircraft and vice versa, if this was ever necessary.

##### II. AREAS OF COLLABORATION WHICH WOULD BE OF GREAT AND IMMEDIATE ASSISTANCE TO OUR PRODUCTION AND OPERATIONAL PROGRAMMES

(4) Conditions of peacetime storage for H.E. components and data on replacement rates.

- (5) Storage conditions for components at an operational base.
- (6) Methods of inspection and transportation.
- (7) The assembly of the weapon at an operational base and the methods of training personnel.

III. AREA OF COLLABORATION THAT WOULD BE OF GREAT ASSISTANCE IN THE  
LONG TERM DESIGN OF AIRCRAFT

- (8) The general features of future weapons as affecting the long term design of aircraft.

IV. AREAS OF COLLABORATION THAT WOULD BE OF IMMEDIATE ASSISTANCE  
IN PLANNING THE PROTECTION OF PERSONNEL IN THE FIGHTING AND  
CIVIL DEFENCE SERVICES

- (9) The effects of gamma and beta radiation and the measures required to protect personnel.

- (10) The effects of thermal radiation and the measures required to protect personnel.

- (11) The effects of radioactive dusts and the measures required to protect personnel.

- (12) The degree of contamination of ground to be expected from atomic bombs burst in the air at different heights.

- (13) The degree of contamination by fission products to be expected from the "base surge" from a water burst.

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Department of State Atomic Energy Files

*Memorandum of Conversation, by Mr. R. Gordon Arneson, Special  
Assistant to the Under Secretary of State (Lovett)*<sup>1</sup>

TOP SECRET

[WASHINGTON,] September 10, 1948.

Subject: Visit of Belgian Scientists

Participants: Professor de Hemptinne  
Mr. Paul Gerard  
Mr. R. Gordon Arneson  
Mr. Joseph Chase<sup>2</sup>

After a final meeting at the Atomic Energy Commission at which various questions arising from their trip were discussed, de Hemptinne and Gerard came over to the Department with Mr. Arneson to sum up their views. Mr. Arneson took the opportunity to suggest certain lines of assistance that could be taken without invading classified or forbidden territory.

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<sup>1</sup> The source text was initialled by the Secretary of State.

<sup>2</sup> Specialist on atomic energy policy in the Office of the Under Secretary of State.

Alluding to certain questions that he had asked at the earlier meeting concerning the building of a reactor in Belgium or in the Congo, Professor de Hemptinne stated that his questions should not be construed as a request for assistance but simply as an attempt to understand the nature of the problem more fully. He stressed that his questions were purely personal and were not inspired by instructions from his Government.

Both men expressed great satisfaction with the opportunities they had had to get a clear understanding of the nature, magnitude, and problems of our atomic energy operations. De Hemptinne stressed that the purpose of their mission had been solely to this end and he felt that they now were much better informed about the nature of things.

As to power possibilities, Gerard said he had hoped the AEC would have rather more precise cost estimates than appeared to be the case. He pointed out that, in purely economic terms, power from atomic energy would in all probability be more attractive to Belgium than to the United States because of the much higher cost of coal. Mr. Arneson reiterated the point that had been made at the earlier meeting: until the technical obstacles had been overcome and we knew that a power reactor was an actuality, cost considerations would be rather academic. At present the AEC was concentrating on the technical problems.

In summing up the trend of discussion that had taken place during their visit here, Mr. Arneson suggested that the following might be done by way of assisting Belgium in the field of fundamental work in nuclear physics.

1. *Radioisotopes.*

A. The United States would be pleased to facilitate the enrollment of qualified Belgian scientists in the radioisotope school at Oak Ridge.

B. Belgium's requests for radioisotopes themselves had not been large. They might wish to consider making greater use of this research tool.

2. *Students.*

Belgium might wish to consider sending qualified scientific students to various colleges and universities in the United States to do fundamental studies in nuclear physics. The Department and the AEC would be glad to render assistance in making such arrangements as might be appropriate.

3. *Equipment.*

A. *Expediting requests.* Professor de Hemptinne said that they had experienced considerable delay in getting various orders filled

for equipment useful in fundamental research. He queried whether the Department might use its good offices to see that unnecessary delays were avoided. Mr. Arneson stated that the Department would be more than pleased to do this and felt that, in those cases where "sensitive" items were not involved, definite improvements could be effected.

*B. Equipment thus far not requested by Belgium.* Mr. Arneson pointed out that there were various types of research tools and machines, as for example betatrons, which were not classified by the Commission as "sensitive" equipment. Belgium might wish to consider whether equipment of this sort might not be useful in her nuclear studies. Professor de Hemptinne apparently had not been aware of this and indicated that he would want to look into the matter further.

#### 4. *Heavy water.*

Professor de Hemptinne referred again to the negative experience they have had in attempting to get heavy water from Norway. He stressed that Belgium needs for this material were small but quite essential to their fundamental studies. He queried whether the United States would entertain a request for small amounts of this material. Mr. Arneson inquired what amount was contemplated and he replied that it would be on the order or magnitude of 10 liters. Mr. Arneson stated that he did not know what the policy of the AEC was on heavy water but would inquire immediately as to the possibilities. He added, however, that in any event the Commission would certainly want specific information as to amount, purpose for which sought, places where it would be used, and the personnel using it. Professor de Hemptinne said he would look into the matter more fully in order to make his query more precise.

With reference to the various documents which they had been given by the AEC, Mr. Arneson observed that every effort would be made to assist in securing declassified papers for their use. Should they want certain papers referred to in the abstracts and bibliographies already at hand, they should not hesitate to let the Embassy in Brussels know and we would expedite securing copies for them.

Mr. Arneson stated that owing to the Secretary's very heavy schedule prior to his departure for Paris at the end of next week it might prove difficult to arrange a second meeting with him. However, he would look into the matter and let them know the first part of the following week.<sup>3</sup>

<sup>3</sup> The files of the Department of State contain no record of a meeting between the Secretary and the Belgians prior to their departure from the United States.

Department of State Atomic Energy Files

*Memorandum of Conversation, by Mr. Donald F. Carpenter, Deputy to the Secretary of Defense (Forrestal) on Atomic Energy Matters*

TOP SECRET

WASHINGTON, September 16, 1948.

MEMORANDUM OF CONVERSATION WITH DR. F. N. WOODWARD, DIRECTOR OF U.K. SCIENTIFIC MISSION AND SCIENTIFIC DIRECTOR ATTACHÉ AT THE BRITISH EMBASSY

Present: Dr. Woodward, D. F. Carpenter, William Webster, Lt. Col. Wm. Burke<sup>1</sup>

Subjects: I. Request for Expansion of Exchange of Technical Information, to Include Design of Weapons  
II. Comments on Current Exchange Within the 9 Areas  
III. Raw Materials

I. SUBJECT: REQUEST FOR EXPANSION OF EXCHANGE OF TECHNICAL INFORMATION TO INCLUDE DESIGN OF WEAPONS

I advised Dr. Woodward that at the time of our last conversation<sup>2</sup> he assured me that weapons manufacture would not commence in England without prior discussion with us. He indicated that that was not his understanding, but rather that it was the national policy on atomic energy matters that they should not take any important steps in the development of their program without giving us notice in advance, and that they felt that they had operated consistently in accord with this policy, and cited information given to us, which has been referred to in previous memoranda.

He advised that he was not aware of the extent to which weapons were actually being produced at present.

I asked about the U.S.-British attitude towards manufacturing weapons in Canada rather than in England. He did not have an official opinion on this subject, but believed that the general attitude was that England is as safe as Canada. He stated that this definitely was Admiral Sir Henry Moore's attitude. He pointed out that if England had decentralized critical operations prior to World War II they could not have survived. In response to my question, he indicated that manufacture of the bomb in England might be an important factor in the holding together of the British Empire.

In spite of the above, Dr. Woodward indicated that the door was not definitely closed on further discussions along this line.

<sup>1</sup> Lt. Col. William Burke, Deputy Executive Secretary of the Military Liaison Committee to the United States Atomic Energy Commission.

<sup>2</sup> The memorandum of the conversation under reference, August 16, is not printed.

I expressed some surprise that the request for weapons information was submitted to Secretary Forrestal,<sup>3</sup> in view of my recent statement to Dr. Woodward that there was a growing attitude in this country that we should not expand the areas of exchange of technical information. He advised that immediately after our last conversation (16 August), he cabled England advising that we were tightening up on exchange of information. This cable crossed with the cable from England asking that exchange on weapons be instituted. The matter was discussed in high circles in England and finally came to the attention of the Prime Minister, and in spite of the information that I had given Dr. Woodward and Dr. Woodward's resulting recommendation, which was supported by the Ambassador, the Prime Minister requested that the request be submitted through the Military Establishment. There was an inference, however, that if Secretary Forrestal indicated that he did not desire to have the request made at this time, it would have been withdrawn, but Admiral Sir Henry Moore considered that no such desire was expressed. Dr. Woodward asked if it was our feeling that the Secretary did not wish to have the request made at this time.

I advised that I was not aware that the Secretary had indicated that the request should not be made but that I was aware that he had advised Admiral Moore that this was inappropriate time to push such a decision and that it would be unwise to crowd for a prompt answer.

Dr. Woodward gave us repeated assurance that information would not be disseminated to the Dominions other than Canada. He advised that a military meeting of the members of the Commonwealth was scheduled for next February. He understood that certain members would ask for information on atomic weapons. He assured us, however, that this information would not be given without prior acquiescence of the U.S.

I advised Dr. Woodward that there was considerable apprehension that the giving of information on weapons would weaken U.S. security; first, because naturally giving information to more people automatically weakens security; and second, because there was apprehension in some circles that information might leak through British sources to Moscow.

Dr. Woodward expressed considerable surprise at this statement, indicating that he was aware that there had been apprehension in other areas, mentioning specifically guided missiles, but he was not aware of any apprehension on atomic energy. He assured us that atomic energy was handled in an entirely different manner from all other matters, and that he felt security provisions were adequate, and there was some feeling that they were better than ours. He stated that

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<sup>3</sup> For the memorandum transmitted by Adm. Sir Henry Moore to the Secretary of Defense on September 2, see p. 750.

an invitation had been extended to any of our security representatives to visit England to review all aspects of their security precautions, but to the best of his knowledge no representative had called upon them. He wished to issue the invitation again.

He asked if there was anything further that he could do at the present time in securing information for us, and we advised that we knew of nothing at the moment, but would contact him further. We advised him that the request was currently being studied in the Military Establishment.

We asked the urgency of a response. He indicated that it was very important to them, largely from the standpoint of their preparedness activities.

I advised that there would be considerable discussion as to the merits as to acceding to this request, and asked him to be prepared to give us reasons why we should acquiesce. He replied that he felt that the two countries were partners, that they had considerable information on the manufacture of bombs anyway, that they were fully determined to proceed with their manufacture, and that he felt that it would be to the interests of both countries if the manufacture were guided by the latest technical information. He stated that these reasons were pointed out in the communication from Sir Admiral Moore.

He advised that it was not contemplated to discuss this matter at the forthcoming meeting of the Sub-Group of Scientific Advisors on Exchange of Technical Information scheduled for October 19th or 21st, but that it was felt preferable to wait until the next meeting of C.P.C. which would probably come at a later date. I agreed that this seemed desirable.

I advised that one possibility might be that U.K. would discontinue manufacture of weapons and that U.S. might earmark a few for use by the U.K. in an emergency. This would assure the U.K. that they would have the most up to date weapons available in the U.S. and would save a great deal of expense and technical effort on their part. Dr. Woodward took cognizance of this suggestion. He did not express a definite opinion but it would appear worthy of further exploration.

## II. SUBJECT: COMMENTS ON CURRENT EXCHANGE WITHIN THE 9 AREAS

We handed to Dr. Woodward a copy of the qualifying paragraph under discussion which would be used in the instructions to all scientific representatives, but contained in all agenda and in the definition of all areas of exchange.

"While recognizing that a distinction between atomic energy matters of military significance and of non-military significance cannot be clearly made, all exchanges shall be further governed by the general criterion that information specifically relating to weapons or to the

design or operation of present plants for production of weapons materials or weapons parts is not subject for discussion."

Dr. Woodward concurred that it was the initial understanding at the time of the adoption of the *Modus Vivendi* that it was not the purpose to exchange technical information which would convey information to the U.K. on the manufacture of weapons.

It being recognized, however, that any information conveyed to U.K. may be somewhat helpful, he felt that the proposed program seemed logical, but he wished to study it further and he recognized that it would be difficult to interpret. He will advise us further on this subject.

He indicated that at the next Sub-Group meeting requests would be filed for the establishment of two additional areas unrelated to weapons. We agreed that it would be logical to file them at this meeting and for the Sub-Group to make recommendations to C.P.C. on this subject.

### III. SUBJECT: RAW MATERIALS

I asked Dr. Woodward's opinion as to the U.K. attitude on allocation of raw materials following the expiration of the present schedule. He indicated that he was not familiar with the subject.

I asked if he were the proper representative of the U.K. for the discussion of all these matters, and he indicated that he was, but that in December he was to be replaced by another representative, but that there would be a one month overlap.

D[ONALD] F. CARPENTER

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Department of State Atomic Energy Files

*Memorandum Prepared in the Office of the Under Secretary of State (Lovett)*<sup>1</sup>

TOP SECRET

[WASHINGTON,] September 17, 1948.

Subject: Outline of Indian atomic energy situation. (For briefing of Ambassador Henderson,<sup>2</sup> September 17, 1948)

### CURRENT U.S. OBJECTIVES WITH RESPECT TO INDIAN ATOMIC ENERGY RAW MATERIALS

1. The U.S. Government has currently two main areas of interest, namely, in *beryl* (the mineral source of the metal beryllium) and *monazite* (the mineral source of thorium, cerium, and other "rare earth" metals).

2. With respect to both, the U.S. desires (a) to secure relaxation of embargoes maintained by the Indian officials for a long period, (b)

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<sup>1</sup> A marginal notation on the source text indicates that this document was transmitted to New Dehli on October 15.

<sup>2</sup> Loy W. Henderson, appointed Ambassador to India on July 14, 1948.



to increase available supplies required by the U.S. for industrial and stockpiling requirements (and, in the case of beryl, for indeterminate atomic energy requirements) and (c) to secure from the GOI assurances or arrangements precluding access to these materials by unfriendly nations.

3. The U.S. Government has for the past several months been negotiating independently with the GOI regarding beryl in view of the particular interest of the AEC in beryllium for atomic energy purposes. The U.S. has no understandings with the British or other nations regarding sources of beryl in contrast to certain arrangements which exist regarding *source materials* through long-standing relationships with the British and Canadians in atomic energy development; these nations cooperate with the U.S. with respect to supplies of radioactive raw materials such as monazite. India falls within the competence of the U.K. with respect to these materials. (Similarly, the U.S. has taken the lead with respect to Brazilian monazite.) The U.S. is kept advised of developments and lends assistance to the furtherance of British objectives when such is feasible and appropriate.

4. Beryllium is one of the materials specified for control by the Central Government under the provisions of the Indian Atomic Energy Act of 1948. The U.S. discussions have to some extent impinged on the British areas of interest in monazite, not only because of this relationship but also in view of the peculiar inter-relation of the U.S. and British commercial interests which results in Indian dependence on the U.S. for supplies of thorium nitrate (extracted from monazite). Thorium nitrate is an essential material to the production of incandescent gas mantles and consequently of importance to the maintenance of lighting facilities in India.

#### MINERAL POLICY OF INDIA

1. A declared policy, understood not to have been officially adopted, but aggressively pushed by certain influential personalities in the GOI, maintains that India must use her strategic mineral resources as a lever to barter for her desiderata for future industrial development.

2. Imposition of the embargoes on beryl and monazite may be accredited directly to aspirations for establishment of plants in India capable of processing the materials to be manufactured compounds to meet domestic demand and provide export surpluses. Obviously, local processing would enhance India's foreign exchange position.

3. The general policy is also reflected in recent maneuvers by India to secure advantages from her important position in the world's production of manganese ore and mica.

## ATOMIC ENERGY CONTROL

1. On April 6 the Indian Parliament passed the Atomic Energy Bill placing exploration, production, processing, export or import of radioactive substances and beryllium under the control of the Central Government. There was established in August, an Atomic Energy Commission constituted by Dr. Homi Bhabha (Chairman) Director of the Institute of Fundamental Research, Bombay, Dr. Sir Shanti Swarup Bhatnagar, Secretary of the Department of Scientific Research, and K. S. Krishnan of the National Physical Laboratory, Delhi. Dr. Bhatnagar has been Nehru's<sup>3</sup> chief adviser on atomic energy policies and has been very cooperative with the Embassy in reaching tentative understandings regarding the lifting of the beryl embargo. However, it has become apparent in recent months that his influence on Nehru is fluctuating and that Nehru is receiving advice at cross purposes from other sources, including one Professor Saha of Calcutta who has definite anti-U.S. leanings and perhaps pro-Soviet inclinations.

2. The aspirations of Indian officials in atomic energy development appear illimitable. Nuclear research organizations have been set up. Two Indian scientific institutions have made inquiry in the U.S. for cyclotrons (the expensive but fundamental research tools used in basic nuclear investigations). Statements have been made that India will have atomic energy piles utilizing her thorium resources, and Indian officials have stated that if necessary, India will seek from other governments desirous of obtaining her monazite and beryl, cooperation with respect to development of her atomic energy program.

## MONAZITE

*Technical Facts*

1. Monazite is the mineral source of thorium, cerium and other rare earth compounds. The mineral occurs in beach sand deposits commingled with other minerals of industrial value including ilmenite, the source of titanium oxide used widely in paints and other applications. The constituent minerals of the sands are separated in concentrating plants utilizing gravity and electromagnetic equipment. To extract commercial compounds such as thorium nitrate and cerium compounds, it is necessary to employ a difficult and expensive chemical process. Such processing is now done in the U.S. and U.K., and has been done in the past in France, Germany and Japan. Because of the high cost of reagents required (mostly acids) and the difficult technical process used, it is doubtful whether this process could be done on

<sup>3</sup> Pandit Jawaharlal Nehru, Prime Minister of India.

an economic competitive basis in India. Thorium nitrate, thus extracted, is used in incandescent gas mantles. The cerium compounds extracted are important in the manufacture of illuminating arcs used in motion picture projectors and military searchlights, also in "spark-er" flints and abrasives (cerium oxide) used in polishing optical lenses.

2. Although research is proceeding in the U.S. on thorium as a source of fissionable materials, no definite conclusions can be reached at this time as to its eventual possibilities, the best views being that at least as far as the U.S. atomic energy program is concerned, it will be many years before thorium will be important in this field. A press release to this effect will be made soon by the Atomic Energy Commission.

3. Before the embargo, Travancore was the chief world source of monazite. At present the only principal producer is Brazil, although minor amounts are now produced in the U.S. and formerly were produced in the NEI, Australia, and China. Present production of Brazil is only on the order of 2,000 tons annually against stated U.S. requirements alone of 5,000 tons annually. Travancore formerly produced about 3,000 tons a year which was shipped to the U.K., U.S., France and Germany. In 1947 small sporadic shipments were made only to the U.K. (some of which were divided with the U.S. industrial concerns) but since September 1947 there has been a complete ban on exports.

4. Under the joint understanding, all monazite exports of Brazil are consigned to U.S. consumers. It was the intention that British requirements would be supplied by Travancore. However, the main British consumer has now requested the large American importer to contract to supply 1,000 tons of Brazilian monazite over the next two years. This request must eventually be considered in the light of the governmental understanding and the prospects for successful conclusion of the India-U.K. negotiations.

5. Shortages of monazite threaten continuation of supplies of cerium compounds. Strong pressure from important and influential industrial groups in the U.S. has been applied in the past and may become more emphatic. This pressure could result in a breach of the security prevailing over the monazite understandings of the U.S. and U.K. if any explanations were forced as to why the U.S. Government is not in a position to negotiate on an independent basis.

#### *Negotiations*

1. In accordance with the understandings mentioned previously, the British began negotiations in 1946 for control of the Travancore monazite supply. In early 1947, agreement was reached between the

Government of Travancore and the British Ministry of Supply providing *inter-alia* for purchasing by the Ministry of Supply of 9,000 tons of monazite at a stipulated price for a three-year period commencing January 1, 1947. In return the British undertook to contribute their good offices, in subsidiary negotiations to be conducted by the Travancore Government with the British commercial firm of Thorium Ltd., looking to the erection of a thorium processing plant in Travancore. The MOS also undertook to purchase the resulting production of thorium nitrate for a period of five years at agreed prices.

2. Some of the terms of this agreement have been disclosed by the Travancore Government in press releases made in 1947. The main secret retained is that there is a broader scope to such arrangements. The U.S. industry, as far as is known, is unaware of the paramount understandings and this makes difficult explanation of the reasons precluding direct negotiations by the U.S. Government for Travancore monazite, a course which might appear reasonable in view of indicated British failure to secure shipments of material for over a year.

3. Although some shipments were licensed for export by the Travancore Government in 1947, toward the latter part of the year no shipments were permitted because of the alleged failure of the British to fulfill their commitment to promote the establishment of the processing plant. In February, 1948 the British presented a memorandum to the Travancore Government seeking to rebut certain allegations of the latter officials, without anticipating that it would form a basis for profitable subsequent discussions. In April of 1948 the British decided to continue discussions through the States Ministry of the GOI in view of the relinquishment of sovereignty in these matters by the state to the Central Government, obviously as a consequence of the passage of the Atomic Energy Act.

4. The British reported to the Department in June of this year that agreement had been reached regarding the size of the processing plant to be established in Travancore and that a successful conclusion of the negotiations was anticipated before the end of the monsoon season. Lack of further information would indicate that these expectations have not been fulfilled.

5. While the British continued negotiations with the Central Government regarding monazite, the U.S. Embassy in New Delhi was discussing beryl with the Indian officials. As explained later in this paper, the negotiations on beryl became related to the question of continuation of shipment of thorium nitrate to Indian consumers from the U.S. under license by the U.S. Atomic Energy Commission.

6. The Embassy and consular establishments in India, acting on instructions from the Department, made investigation of some 30-odd

gas mantle plants in India in order that the Atomic Energy Commission have a proper basis for consideration of the Indian applications for supplies of thorium nitrate. During their contacts with the Indian firms our officials were constantly urged to lend assistance to expedite shipment of the supplies in order that no disturbance of India's lighting facilities occur. The Embassy and the Department, therefore, viewed with alarm the avowed intent last spring of the chief U.S. manufacturer of thorium nitrate to suspend shipments of the material to India pending resumption of shipments of monazite desired by his company (admittedly because of the demand for cerium products).

7. At the persuasion of the Department, the U.S. manufacturer was induced to withhold this action for a time on the grounds that (1) it would not be effective and would create ill will in India not in the best interests of this country, (2) it would materially impair the progress made to lift the beryl embargo, and (3) the receipt of needed supplies by Indian consumers could be favorable to promoting our interests. It was agreed, however, that the Embassy would make it clear to the Indian officials that continued shipments of thorium nitrate to India could not be envisaged unless additional supplies of monazite were forthcoming from Travancore . . . . Thus our policies do lend backstop assistance to the British in their negotiating efforts. (In connection with the above it should be noted, there were some indications that the British themselves favored an immediate stoppage of thorium nitrate shipments last spring). The Department feels that unless the British achieve a settlement within the next few months, the manufacturer can no longer be dissuaded from embarking on its previously declared course of action.

#### *Recommendations for Further Action*

1. The Embassy has taken advantage of opportunities to remind Indian officials and Indian consumers of thorium nitrate that they cannot depend on continuation of U.S. shipments unless additional supplies of monazite are made available to the U.S. The Department concurs with the Embassy suggestion that the complaints of Indian importers regarding their inability to secure adequate supplies in the U.S. continue to be brought to the attention of the GOI officials on an informal basis. The Embassy gives assurances that any appearance of U.S. pressure on India will be avoided. The British have been made aware of the U.S. policy as set forth above.

2. It is suggested that the Ambassador might wish to discuss the monazite problem with the U.K. High Commissioner in New Delhi, using as a basis for discussion the points made in the Department's briefing.

## BERYL

*Technical Aspects*

1. Beryl is the sole source of the metal beryllium containing about 4% by weight of the metal in a complex silicate mineral. Beryllium oxide is extracted from beryl by a complex chemical process, technological information for which is believed to be entirely in the hands of three relatively small U.S. companies. Beryllium oxide is used in certain high temperature refractory products and in fluorescent lights.

2. Beryllium oxide is in turn converted to metallic beryllium or an alloy of beryllium and copper containing 4% beryllium. The latter material, called "master alloy" is used in varying proportions in the manufacture of special products including ship propeller blades, precision instrument springs, well drilling equipment and tool steels, which require the unique non-sparking, non-corrosive, and non-fatiguing properties lent by beryllium to the alloys used. Beryllium metal is used in X-ray "windows" as targets in electronic tubes for production as a nuclear particle source. Its importance in atomic energy lies in its potential use as a moderator in nuclear piles as a substitute for graphite or heavy water. It is thought that the structural advantage of beryllium may give it certain advantages over the other moderating materials.

*Background and Negotiations*

1. Production of beryl in India became important during the war under stimulation of the FEA procurement program. An annual export of over 1,000 tons was achieved in one year. Production declined after termination of the FEA program in 1945. In 1946 beryl was included on a list of materials placed under embargo by the GOI for strategic reasons. Since then there have been no reported shipments of beryl from India. Present U.S. sources are (a) small domestic production (b) imports from Brazil which totaled 660 tons in first six months, 1948 (c) small stocks. Beryl is currently not being exported from other former U.S. sources such as Argentina and Australia.

2. On behalf of the AEC the Department instructed the Embassy to make appropriate approaches to the Government of India officials looking toward the relaxation of the beryl embargo. It became apparent soon that there were divided opinions among the Indian officials as to what should be sought from the U.S. in exchange for release of beryl. Included in proposals made by various Indian officials were (a) technology and equipment for a coal liquifaction plant; (b) export of 500,000 tons of steel from the U.S.; (c) 1% of the world's petroleum output; (d) phosphate rock from the U.S.; and (e) assistance in the erection of a beryllia processing plant in India.

3. Only the latter (e) was considered as a practical alternative by the Department and this also was ruled out in view of the AEC desire that establishment of beryllia processing plants in other countries be discouraged for reasons of security.

4. The Department after consultation with the AEC suggested the Embassy indicate to the Indian officials that cooperation of the GOI in permitting shipment of beryl to the U.S. would be necessary should India expect to secure atomic energy research equipment from the U.S., particular reference being made to the two inquiries for particle accelerators made by Indian scientific institutions.

5. Mr. Andrew V. Corry, Minerals Attaché at the Embassy, engaged in several conversations with Dr. Bhatnagar and by May had secured assurances that the U.S. proposals would be recommended for acceptance by the Prime Minister. It was suggested by Bhatnagar that the U.S. Ambassador raise the question personally with the Prime Minister who was expected to be receptive to the idea.

6. Ambassador Grady<sup>4</sup> saw Nehru the day before the former's departure for the U.S. in June and raised the matter in connection with other important issues. Nehru gave no conclusive reply—in fact later reports indicate that he does not even recall this subject being discussed. In any event, Ambassador Grady has recommended to the Department that the matter be allowed to rest awhile.

7. The Embassy subsequently has recommended that no action be taken until the arrival of the new Ambassador in October. The Department concurs in this view.

#### *Recommendation for Further Action*

1. That the Ambassador should approach Nehru at an appropriate opportunity and state that the United States is still concerned as to when the beryl embargo is to be lifted and shipments can be resumed to the United States. At the same time, the Ambassador should query Nehru for the reasons for maintaining the embargo and indicate the willingness of this Government to examine with Nehru any problems which might facilitate the lifting of the embargo.

2. That the Indian officials be given frank appraisal of the difficulties ahead in their ambitions toward atomic energy development. The "disenchantment" will be helped through reference to the remarks of John Gustafson<sup>5</sup> on thorium and monazite made at the recent meeting of the American Mining Congress in San Francisco.

<sup>4</sup> Henry F. Grady, United States Ambassador in India, April 1947–May 1948; appointed Ambassador to Greece, June 2, 1948.

<sup>5</sup> John K. Gustafson, Director of the Division of Raw Materials, United States Atomic Energy Commission.

Department of State Atomic Energy Files

*Memorandum for the File by Mr. R. Gordon Arneson, Special Assistant to the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] September 22, 1948.

Subject: U.K. Request for Information on Weapons

In the course of luncheon today Henderson<sup>1</sup> raised several points concerning the British requests for information on atomic weapons:

1. The U.K. is considerably worried about the initial negative reaction which Woodward received from Carpenter and Webster on September 16.<sup>2</sup>

2. In response to a query, Henderson said he was confident that the U.K. military authorities were fully convinced that weapons facilities in the U.K. could be defended against seizure or fifth column action. In elaboration of the point, however, he said in the British view the question of whether facilities could be defended was equivalent to the question of whether the U.K. could survive a third world war. In other words, if the U.K. went down the existence of plutonium piles in the U.K. would be a secondary matter. To this point I replied that such a view could well be interpreted by our military authorities to mean that the U.K. was willing to compromise our security in the interests of obtaining atomic weapons in the U.K. Henderson agreed that if such an argument were thrown back at the British as a response to their request they would be put in quite a hole.

3. He appreciated that in the event of the outbreak of war in the near future, the U.K. would not have atomic weapons available from their own efforts even if the U.S. complied with their present request. He agreed that in terms of the common defense and security in the immediate future a more useful solution would be some undertaking by the U.S. to come to the assistance of the U.K. and indeed Western Europe in the event of Soviet aggression.

4. If the U.S. should decide that as the price for rearming Europe on conventional lines the U.K. must give up its insistence on producing atomic weapons, such a condition would have to be given most serious consideration by the British Government.

<sup>1</sup> John N. Henderson, Second Secretary, British Embassy; British member of the Joint Secretariat of the Combined Policy Committee.

<sup>2</sup> For Carpenter's memorandum of the conversation under reference see p. 755.



Department of State Atomic Energy Files

*Memorandum by Mr. R. Gordon Arneson to the Acting Secretary  
of State*

TOP SECRET

[WASHINGTON,] September 27, 1948.

MEMORANDUM FOR THE ACTING SECRETARY

Subject: U.K. Request for Information on Atomic Weapons

*A. Background*

1. On September 1 [2], 1948 Admiral Sir Henry Moore handed Secretary Forrestal a note<sup>1</sup> from the U.K. Minister of Defense asking for his views on a proposal to extend the areas of interchange to include information on atomic weapons. To the note was appended a list of specific topics on which information was being sought (Tab A). Copies of the foregoing were given the Department and the AEC a few days later.

2. Certain events antecedent to this request are germane.

a. On March 19, 1948 Donald Maclean informed Mr. Gullion that the U.K. had been engaged on research and development work on atomic weapons since the beginning of 1947.<sup>2</sup> This information was communicated by Mr. Gullion to the Secretary, yourself, and Carroll Wilson. Shortly thereafter this fact was stated by the U.K. Government in response to a parliamentary question, and stories to the same effect have appeared in both the British and American Press.

b. At a meeting of the American side of CPC on July 6,<sup>3</sup> Mr. Lilienthal reported that AEC technicians engaged in discussions with U.K. technicians on Area 8 "Design of Natural Uranium Reactors in which the Power Generated is not Wasted," observed that the U.K. effort in this area appeared to be directed toward design of reactors for production of plutonium (i.e. power wasted) rather than power reactors (power not wasted). Accordingly the U.S. technicians did not furnish information on this area. The American side CPC concluded that this development should not change the decision spelled out in the January 7 *modus vivendi*<sup>4</sup> for exchange of information in nine specified areas.

c. In late July 1948 another group of AEC technicians headed by Cyril Smith went to the U.K. to exchange information in Area 6 "Fundamental Properties of Reactor Materials." Initial instructions given them by Dr. Fisk, Director of Research, and Carroll Wilson authorized exchange on basic metallurgy of plutonium. On learning of these instructions Senator Hickenlooper, Dr. Bush, and Mr. Carpenter lodged strong objections with Sumner Pike, Acting Chairman of AEC, who telephoned Cyril Smith in London in time to prevent discussion of this subject. As a result of this episode a procedure has been

<sup>1</sup> *Ante*, p. 750.

<sup>2</sup> Gullion's memorandum of his March 19 conversation with Maclean is printed, p. 700.

<sup>3</sup> For the minutes of the meeting of July 6, see p. 719.

<sup>4</sup> *Ante*, p. 683.

agreed whereby the Military Liaison Committee passes upon all proposed agendas of discussions within the nine areas. Instructions to our representatives in every instance now contain the following statement:

"While recognizing that a distinction between atomic energy matters of military significance and of non-military significance cannot be clearly made, all exchanges shall be further governed by the general criterion that information specifically relating to weapons or to the design or operation of present plants for production of weapons materials or weapons parts is not subject for discussion."

d. On August 16, Mr. Carpenter stated to Dr. Woodward, Scientific Attaché to British Embassy, that the fact that the U.K. was placing primary emphasis in their reactor program on plutonium production had caused considerable concern to the Joint Congressional Committee and as a result exchange within the nine areas would have to be carefully "policed" to ensure that no substantial amount of information on weapons was exchanged. Mr. Carpenter stated that further expansion of exchange was quite improbable. He also asked whether the U.K. had considered the possibility of carrying on their work on plutonium and weapons production in Canada. Woodward stated that the U.K. Chiefs of Staff considered the U.K. as safe as Canada. (Tab B.<sup>5</sup>)

3. On September 16, Dr. Woodward again met with Carpenter at which time Carpenter expressed concern that the U.K. had gone ahead with weapons manufacture without prior discussion with the U.S. Woodward's understanding was that the U.K. had undertaken to inform us of any important steps in their program. This they had done. Carpenter was surprised that the U.K. had come in with their request on September 1 [2] for weapons information in view of Carpenter's statement to Woodward on August 16 that any expansion of areas of exchange was quite improbable. It appears that despite a recommendation from Woodward and the Ambassador not to do so, the Prime Minister directed that the request be submitted through the Military Establishment. (Tab C.<sup>6</sup>)

4. The British request of September 1 is now under consideration by the Joint Chiefs of Staff. In transmitting the request to the Joint Chiefs,<sup>7</sup> Mr. Carpenter made it clear that he wished to have a pre-

<sup>5</sup> Memorandum of conversation not printed.

<sup>6</sup> For memorandum of conversation, see p. 755.

<sup>7</sup> Carpenter's memorandum to the Joint Chiefs of Staff, September 14, requesting a preliminary judgment on the British request, has not been found in the files of the Department of State.

In a memorandum of September 30, Clarence Wendel of the Office of the Under Secretary of State, informed Lovett that William Webster, who had become Chairman of the Military Liaison Committee, had indicated that on the previous day the Joint Chiefs of Staff had gone formally on record as strongly opposed to any expansion of the areas of exchange of information (Department of State Atomic Energy Files). The JCS memorandum to the MLC, September 29, has not been found in the files of the Department of State.

liminary judgment from the Joint Chiefs as regards military aspects but intimated that other factors would have to be given due weight. The Joint Chiefs have not yet come up with a recommendation although they are expected to do so rather soon. Webster (Carpenter's successor) is anxious that the Joint Chiefs not produce a completely jelled opinion which would be difficult to alter on the basis of any other considerations that need to be taken into account.

### B. Comments

1. Mr. Carpenter was clearly in error in stating that the British were committed to *discuss* with us in advance any plans to manufacture plutonium. Woodward's interpretation to the effect that the U.K. was obligated to keep us *informed* is, on the record, the correct one. The British have in fact carried out this obligation by means of notification to Mr. Gullion on the 19th of March.

2. Within the terms of the understandings arrived at in the *modus vivendi* of January 7 one can find no basis for exchange of information on the basic metallurgy of plutonium. It was generally understood in this Government that information of substantial use in the production of plutonium, and therefore of the weapon, was not to be included in the areas of exchange. On the basis of the present agreement, therefore, it would appear that Senator Hickenlooper, Dr. Bush, and Mr. Carpenter, and finally the Commission itself, were correct in excluding this phase from the areas of exchange. That this is true is corroborated by the British themselves in their note of September 1 (See Tab A). Appended to that note is a list of topics, the first of which is entitled "Areas of Collaboration which would be of Great and Immediate Assistance to our Programme for the Design and Manufacture of Atomic Bombs." The first item under this heading is "1. The metallurgy and methods of fabrication of plutonium with particular reference to its use in bombs."

3. Whatever conclusion is ultimately reached on the British request it appears evident that the decision must rest on very broad grounds: whether it is in the security interests of the United States to have the U.K. join forces with us on atomic weapons. Such a decision cannot be taken solely on military grounds although military considerations perhaps loom largest, but must also take into account our political posture as well. Here the shape of our conversations on Western Union would appear particularly important.

4. Henderson (who replaced Maclean as British member of the Joint Secretariat) has spoken to me about the U.K. request on several occasions. He leaves the net impression that the British are anxious to have an early reply. I have told him that it would be most unwise to press too vigorously at this time for a decision. I have reminded him

that the present election atmosphere and the simple fact that this is a major decision to be made by the Administration does not favor any quick action. There are indications that this advice has been seriously received, although it is too soon to tell.

5. It may be that if the U.K. does not see any early prospect of favorable action on their September 1 request they may wish to press again for a liberal interpretation of the 9 areas of exchange, particularly on the basic metallurgy of plutonium. In view of the firm opinions held by the Joint Congressional Committee, the Military Establishment, and the AEC on the last item it would appear most unwise for the U.K. to press for information in that field. This is the more so in view of their own admission that information on this matter would be of "great and immediate assistance to our program for the design and manufacture of atomic bombs." This particular item is a microcosm of the larger request and involves essentially the same broad decision as to whether the United States and the U.K. should enter into a full partnership on atomic weapons.

6. It is suggested that if the British approach you in the near future on any aspect of this problem it might be useful to suggest to them not to become too impatient, that in the very nature of the request a decision may be a long time coming, that we consider they have fully complied with the requirement of keeping us informed of any major development in their work in this field, and that it would be a mistake on their part if discouraged by the prospects of a favorable reply on their request *in toto* to attempt to press for segments of it, especially basic metallurgy of plutonium.

R. GORDON ARNESON

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Department of State Atomic Energy Files

*Memorandum of Conversation, by Mr. Clarence A. Wendel of the  
Office of the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] September 30, 1948.

Subject: U.K. Atomic Energy Program

Participants: Sir Oliver Franks, the British Ambassador;  
Sir Gordon Munro, Minister, British Embassy;  
Mr. Lovett, Acting Secretary of State;  
Mr. Wendel, Department of State.

The British Ambassador prefaced that he was bringing to Mr. Lovett's attention in a paper which he would leave, certain worries of the London Committee on Atomic Energy. In presenting the paper (attached herewith as part of the record of the subject conversation) he explained that it was purposely entitled "Note for the Ambassador's talk with Mr. Lovett on atomic energy".

Before briefly summarizing the contents of the note, the Ambassador stated that it was intended to convey London's genuine worry on two points but that it did not necessarily reflect the British viewpoint here.

Mr. Lovett replied that regarding the first point of misunderstanding raised in the paper he could furnish some comfort. Regarding the second, he found difficulty in agreeing with some statements which, in his opinion, do not conform to the record.

Returning to the first point, Mr. Lovett elaborated that he thought that Mr. Carpenter's comments to Dr. Woodward may have been misunderstood. He assured the Ambassador that the British had complied with their obligations under CPC understandings by informing the U.S. regarding their weapons program as was done by Mr. Maclean on March 19 of this year. Mr. Lovett stated categorically that the British were not obligated to consult with the U.S. prior to the initiation of this program. He hoped that this point was now clarified and assured the British that steps would be taken to avoid any further complications.

With reference to the more basic worry of the British regarding the areas of exchange of information, Mr. Lovett did not think that the London position was correct. To this Sir Oliver indicated concurrence. Mr. Lovett referred to the note left with Mr. Forrestal by Sir Henry Moore on September 1 [2] and commented that the inclusion of the basic metallurgy of plutonium as one of the items which the British thought might be helpful in facilitating their development of weapons, practically constituted an admission that the subject was beyond the scope of the agreed areas for exchange of information. Mr. Lovett stated that he and members of his staff had carefully reviewed the record of the conversations leading up to the *modus vivendi* of January 7, 1948 and nothing could be found to indicate that, as contended in paragraph four of the British note, information on the military uses of atomic energy were envisaged as included in the nine areas. Moreover, Mr. Lovett recalled that Dr. Bush's attitude, in conversations with members of the Congressional Joint Committee, was clearly one considering information on weapons as outside the scope of the *modus vivendi*.

Mr. Lovett, in concluding this phase of the conversation, stated that discussion of these matters was an appropriate function under CPC partnership and hoped that his remarks might be helpful in clarifying the misunderstandings.

To give some background on the attitude existing in Congress and within Government circles with respect to furnishing assistance to other countries in the field of weapons, Mr. Lovett briefly reviewed the record regarding the subject of the basic metallurgy of plutonium

commencing with a meeting in the AEC on July 6.<sup>1</sup> He recounted the concern expressed by the Chairman of the Joint Committee at the time he became aware of the decision of the General Manager of the AEC authorizing discussion of plutonium under area 6.<sup>2</sup> The Commission, on reviewing the case, he continued, reversed the position of the General Manager and sent definite instructions to the delegation then in London not to engage in discussions regarding plutonium. Mr. Lovett referred to the ten-page letter of explanation sent on September 24 by the Commission to the Joint Committee<sup>3</sup> as an indication of the seriousness of the matter.

After furnishing this background, Mr. Lovett read the instruction now being given to all U.S. scientists who are delegated to engage in discussions in the nine areas. In view of the general attitude now prevailing in the military, the Congressional and perhaps in the public mind, Mr. Lovett cautioned the British not to press for a decision on their request since he felt that it would not be desirable from their point of view to force the Joint Chiefs of Staff to crystallize the position in the negative. It might also, he added, prejudice continuance of the existing areas of exchange.

Mr. Lovett then mentioned the feeling in military circles that a British weapon project would be vulnerable to Russian attack and that Canada would appear to be a much safer location. He observed that although a British weapon project might appear inconsistent with the British financial position, that, of course, ERP should not necessarily be related to the British atomic energy effort.

Mr. Lovett asked Sir Oliver if it would not be possible for the British to think of other means through which they might enhance their security rather than place such dependence on an independent weapon project. Sir Oliver's reaction indicated that this would be given consideration.

At the British Ambassador's request, he and Mr. Lovett then exchanged their personal views on this matter. At the conclusion of this discussion, which was much along the lines explored during the earlier part of the conversation, Sir Oliver suggested as the next step he would write to Sir Roger Makins<sup>4</sup> in London to pass on Mr. Lovett's views. Sir Oliver hoped that this might serve to eliminate some of the misunderstanding apparently existing in certain quarters of his Government in London. It was understood that the note left with Mr. Lovett did not call for an official reply.

<sup>1</sup> For the minutes of the meeting of the American Members of the Combined Policy Committee, July 6, see p. 719.

<sup>2</sup> For Carpenter's memorandum of meeting with Senator Hickenlooper and others, August 12, see p. 734.

<sup>3</sup> Letter not found in Department of State files.

<sup>4</sup> Deputy Under Secretary of State, British Foreign Office.

## [Annex]

## NOTE FOR THE AMBASSADOR'S TALK WITH MR. LOVETT ON ATOMIC ENERGY

1. The Official Committee on Atomic Energy in London has been seriously concerned by evidences of misunderstandings on the part of certain United States authorities about

- (a) the intention of the United Kingdom Government to produce plutonium for atomic bombs and
- (b) the general understanding between the United States and British governments on the subject of cooperation on atomic energy questions.

2. In a talk with Dr. Woodward at the Pentagon on the 17th [16th] of August 1948, Mr. Carpenter (Chairman of the Military Liaison Committee and Deputy to Mr. Forrestal on atomic energy questions) said that some members of the Atomic Energy Commission and of Senator Hickenlooper's Joint Congressional Committee had been astonished at the concentration of British effort on the production of plutonium. This reaction had arisen as a result of a report made by Drs. Zinn and Weil (physicists sent by the Atomic Energy Commission to the United Kingdom to obtain information on British atomic energy development). Mr. Carpenter had also told Dr. Woodward that he had heard that the United Kingdom were shortly going to ask the Americans to extend the topics upon which an exchange of information was permitted under the *modus vivendi*. Mr. Carpenter had stated categorically that if such a request were made the answer would be a definite no.

3. On the 2nd of September, Admiral Moore, Chairman of the representatives of the British Chiefs of Staff, saw Mr. Forrestal and handed him a memorandum from the Minister of Defence in the United Kingdom suggesting an exchange of information on atomic weapons. In the course of their talk, Mr. Forrestal said that when the Combined Policy Committee had had their meetings last autumn stress had been laid on the general humanitarian aspect of the use of atomic power, rather than on the military side. He also mentioned that differences of opinion might arise on the American side as to whether the building of a plant for the production of bombs in the United Kingdom could be justified (a) in view of the danger, should the United Kingdom be over-run, and (b) as regards the heavy cost in relation to E.R.P.

4. According to the British Government's understanding, the conversations leading to the *modus vivendi* were concerned not mainly with the humanitarian aspect of the use of atomic energy. On the con-

trary, the United States representatives made it clear that their programme was a military one; the British representatives gave full particulars of British plans for two large piles, and the magnitude of the operation made it clear that the United Kingdom planned to make plutonium on a scale which, in the present state of scientific knowledge, could only be for bomb production. The British Government were under the impression that this had been fully understood by the United States authorities. In March of this year the British Embassy informed the State Department, and Admiral Moore spoke to Mr. Forrestal, to the effect that the British Government would shortly be announcing that they were engaged on the development of atomic weapons. Neither the State Department nor Mr. Forrestal expressed any concern, and, indeed, Mr. Forrestal said he was surprised that the existence of such work was not already publicly known in the United Kingdom as it was in the United States.

5. As regards Mr. Forrestal's reference to the cost in relation to E.R.P. of establishing a plant in the United Kingdom for the production of bombs, the British Government recall the former views of the United States authorities on the relation between E.R.P. and atomic energy. The United States representatives pressed for the conclusion of an agreement on atomic energy in January of this year with the avowed purpose of keeping the question of atomic energy divorced from E.R.P., especially on the raw materials side.

6. On the question of cooperation between the two governments on atomic energy, the British Government have noted that whereas several useful exchanges of information have taken place on matters originally considered to fall under Area 8 (this was one of the areas about which it was agreed under the *modus vivendi* that there should be an exchange of information; it is concerned with the design of natural uranium reactors in which the power generated is not wasted) the Atomic Energy Commission have recently decided that these matters could no longer be discussed under this heading. Furthermore, the Atomic Energy Commission have indicated that they cannot agree that the subject of plutonium metallurgy should be included for discussion under Area 6. The Atomic Energy Commission at first agreed with Sir John Cockcroft's<sup>5</sup> suggestion that Dr. Cyril Smith of the Atomic Energy Commission should discuss basic metallurgy of plutonium during a recent visit to Harwell. They indicated that this would be covered by Area 6 but, before Dr. Smith left America, the Atomic Energy Commission wrote saying that they had reconsidered the matter and could no longer agree to this. The British Government are seriously concerned at these developments and request that ar-

<sup>5</sup> Director of the British Atomic Energy Research Establishment.



rangements should be made so that an exchange of information can take place on this subject.

7. In a conversation with Mr. Roger Makins after the conclusion of the *modus vivendi* in January of this year, Mr. George Kennan expressly asked that the British Government should not hesitate to bring forward any doubts which might arise about the way in which the arrangement for collaboration under the *modus vivendi* was working.<sup>6</sup> The British Government now wish to draw the attention of Mr. Lovett to the above mentioned points.

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<sup>6</sup> No record of the conversation under reference has been found in Department of State files.

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711.329/10-1548: Telegram

*The Ambassador in Brazil (Johnson) to the Secretary of State*

TOP SECRET

RIO DE JANEIRO, October 15, 1948—9 p. m.

1124. I had brief talk with Foreign Minister before he left for Paris<sup>1</sup> and without my making specific observations outlined in Deptel 593, August 9, 2 p. m.<sup>2</sup> Foreign Minister reiterated complete fidelity to terms of agreement which expired July 16 which would be considered as in full vigor pending negotiation of a new agreement. Foreign Minister fully understands our objections any publicity and merely commented that "we will have to find some way to handle matter under our own law". In view what I consider to be satisfactory assurances of Foreign Minister reaffirming his previous statements I did not consider that it would be expedient to make the general observations suggested Deptel 593. I told Foreign Minister that in view his reiterated assurances Brazilian Govt would consider terms of agreement which expired July 16 as being fully in effect until new agreement should be negotiated, that I would not raise matter again before his return unless specifically instructed to do so. Minister Oliveira<sup>3</sup> who accompanied Foreign Minister to Paris is his principal assistant on monazite question and it seems clear that no new draft will be sent us for consideration before Foreign Minister's and Oliveira's return. There is no question in my mind entire good faith of Foreign Minister Raul Fernandes in this matter nor of his understanding of its importance and the seriousness with which we regard it. I think, therefore, that we should be considerate of his difficulties under Brazilian law and give him reasonable time to find his own solution

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<sup>1</sup> The First Part of the Third Regular Session of the United Nations General Assembly convened in Paris on September 21.

<sup>2</sup> *Ante*, p. 733.

<sup>3</sup> Antonio Camillo de Oliveira, Minister Plenipotentiary and Acting Secretary-General of the Brazilian Ministry for Foreign Affairs.

for them. Our willingness under suitable conditions to negotiate on price and quantities is understood here. (ReDeptel 727, October 15.<sup>4</sup>) If Gordon Arneson or Major Volpi<sup>5</sup> could fly down for a brief vacation they would be very welcome.

JOHNSON

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<sup>4</sup> Not printed.

<sup>5</sup> Presumably Joseph Volpe, Jr., General Counsel of the United States Atomic Energy Commission.

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Department of State Atomic Energy Files

*The British Embassy to the Department of State*

TOP SECRET

AIDE-MÉMOIRE

TRAVANCORE MONAZITE

In a letter dated the 11th of February 1948 addressed to Mr. Gullion, Mr. Donald Maclean enclosed the text of a memorandum by the Ministry of Supply of the British Government concerning the state of negotiations with the Travancore Government on monazite.<sup>1</sup>

2. The Government of India have now replied to the British Government on this subject in terms set out attached.<sup>2</sup>

3. The Government of India's reply shows that they attach great importance to the erection of a plant for processing monazite in India with a capacity for treating 3,000 tons per annum, and that while they are prepared to authorise the resumption of shipments of monazite to the United Kingdom, it would be an implied condition that arrangements would have to be made for the erection of a plant.

4. From the point of view of atomic energy, the provisional attitude of the British authorities is that, considering that thorium is not likely to be of practical importance in the production of atomic energy for ten years, and that, even if it does become important, the amounts of thorium required are not likely to be great in relation to the known supplies of monazite, the purchase of the Indian monazite in the meantime for atomic energy is not of great importance. They recognise that there may be an argument for the purchase on grounds of pre-emption but, for the same reasons, they do not think that this can be regarded as of great importance. Subject to the views of the United States authorities, therefore, the British authorities would propose to answer the Indian Government by saying that, while they would be

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<sup>1</sup> Letter and enclosure not printed.

<sup>2</sup> Attachment not printed.

prepared to purchase Indian monazite at a reasonable price, and would be happy to see the Indian Government enter into any arrangement for the erection of a plant that they could themselves make with Thorium Limited, they were not prepared to put pressure on the firm to erect a processing plant in India and, if this was a necessary condition of purchase, they would be prepared to do without the monazite.

5. In this connection it should be mentioned that Thorium Limited have expressed their inclination to withdraw the reluctant consent they had previously given to erect a processing plant of 1500 tons capacity in India (which would compete with their plant in the United Kingdom); they are considering relying on other sources outside India for their monazite requirements. Sir S. S. Bhatnagar, who is now in London, has given the British Government a list of firms which he said were prepared to assist with the erection of a plant in India. These firms included Messrs. Lindsay<sup>3</sup> and the German firm of Auer. The British authorities do not believe that all the firms on this list would have the capacity to do the job, but, from the British point of view, the next best arrangement, if Thorium Limited were not prepared to do it, would be if Lindsay undertook the erection. The British authorities assume that this would give the United States Government some control of the output. The German Auer firm would also be able to do the work. There might be serious disadvantage if they were to do so since, according to British information, the pre-war headquarters of this firm were in what is now the Russian sector of Berlin, and they may well now be under Russian influence. The British Government are now finding out what the present position is. Another firm that has the capacity is the French firm La Société des Terres Rares, but this firm was not mentioned by Sir S. S. Bhatnagar.

6. In considering this subject, the British Government have reviewed the thorium requirements of the Agency countries and their stocks. The United Kingdom has some fifty tons thorium oxide ( $\text{ThO}_2$ ) derived from the 700 tons of monazite shipped from Travancore under the Agreement of 2nd April 1947.<sup>4</sup> United Kingdom atomic energy requirements are still extremely conjectural since they depend on research work into the production and use of U 233. According to present tentative estimates, this usage in research over the next five years will certainly not exceed 40 tons of  $\text{ThO}_2$ . 100 tons has been very provisionally estimated as the 10-year requirement. Lindsay has a surplus of 5 tons per month  $\text{ThO}_2$  which they have recently offered to the United Kingdom and which the latter have refused. Assuming this

<sup>3</sup> Lindsay Light and Chemical Company, an American firm.

<sup>4</sup> The agreement between the governments of the United Kingdom and Travancore is not printed.

offer is still open, if this surplus was purchased for one year, the United Kingdom could, with existing stocks, cover their probable requirements over ten years.

7. So far as the British Government know, Canada has no more than research requirements of thorium for atomic energy which they will hope to obtain from the United Kingdom and which do not necessitate any modification of the above figures.

8. The British Government have no exact information about the American position but they believe that the United States Atomic Energy Commission thorium requirements over the next ten years may be less than those of the United Kingdom and that the United States Atomic Energy Commission will have no difficulty in meeting them.

9. To summarize, the total requirements over the next ten years of thorium oxide for the three atomic energy projects referred to above are unlikely to exceed 200 tons ( $\text{ThO}_2$ ); a substantial portion of this is already in hand and there should be no difficulty, the British Government consider, in finding the balance from Brazil, assuming that output there continues to run at the present rate of about 1500 tons of monazite per annum (say 90 to 100 tons  $\text{ThO}_2$ ). It should therefore, in the opinion of the British Government, be possible to leave Travancore monazite out of account in reviewing the atomic energy programmes of the Agency countries over the next ten years.

10. As regards commercial requirements, it would appear that both Lindsay and Thorium Limited are relatively happy about thorium supplies though they are extremely worried about cerium.

11. The picture therefore is that, over the next ten years, Travancore monazite is of interest from the atomic energy point of view to the Agency countries for pre-emption motives and because it may be desirable to conserve good will against the possibility of later requirements. The commercial firms are interested because of their shortage of cerium.

12. The British Embassy would be grateful for the views of the United States Government on the following points:

- (a) the proposed answer to the Government of India referred to in para. 4 above.
- (b) the importance attached by the United States Government to the pre-emption of Travancore monazite.
- (c) the British Government's estimate referred to in para. 8 above of United States Atomic Energy Commission requirements of thorium, together with any information which the United States authorities may be able to provide concerning their stocks of  $\text{ThO}_2$ .

13. Sir S. S. Bhatnagar has told the British Government that Mr. Nehru is personally interested in this question and hopes to reach

a settlement with them about it during his present visit to London. The British Embassy would therefore be grateful for a very early reply to the above points, if possible by the 22nd of October.<sup>5</sup>

WASHINGTON, 20th October, 1948.

<sup>5</sup> Prime Minister Nehru was in London for the two week conference of Commonwealth nations which ended on October 22.

Department of State Atomic Energy Files

*Memorandum of Conversation, by Mr. Clarence A. Wendel of the Office of the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] October 21, 1948.

Subject: U.K.-Indian Monazite Negotiations

Participants: Sir Gordon Munro, Minister, British Embassy;  
Mr. J. N. Henderson, British Embassy;  
Mr. P. S. Eaton, British Embassy;  
Mr. John K. Gustafson, AEC;  
Mr. John A. Hall, AEC;  
Mr. R. Gordon Arneson, State Dept.—Mr. C. A. Wendel, State Dept.

Under discussion was an *aide-mémoire* prepared by the British Embassy containing information as to the status of the subject negotiations.<sup>1</sup> The views of the United States Government were sought regarding three points.

The consensus of the discussion was that: (1) the U.K. should attempt to prolong the negotiations in view of, (2) the desirability of maintaining control over destination of Indian monazite exports, the U.S. Government attaching considerable importance to preemption of monazite supplies, and (3) figures on U.S. AEC stocks and requirements with respect to thorium would be provided as soon as available.

With reference to point 5 of the *aide-mémoire*, it was agreed that the United States authorities would discuss with Lindsay<sup>2</sup> the possibility that his Company might undertake to assist the Indians in the erection of a processing plant. In this connection it was felt that Lindsay's attitude would be inversely related to the size of the required plant.

The U.S. representative agreed that the Lindsay conversations would be on an "as, if and when" basis to protect the present British position vis-à-vis the Indians. It was thought premature to discuss at this stage the question of possible U.S. participation in an understand-

<sup>1</sup> *Supra.*

<sup>2</sup> Charles R. Lindsay, III, of the Lindsay Light and Chemical Company.

ing with the Indians. This question would have to be considered later in the light of ensuing developments.

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Department of State Atomic Energy Files

*The British Embassy to the Department of State*<sup>1</sup>

TOP SECRET

WASHINGTON, October 27, 1948.

DEVELOPMENT OF ATOMIC ENERGY IN NEW ZEALAND

In the discussions which took place early this year, prior to the conclusion of the *modus vivendi*, the British representatives explained to the United States representatives that a New Zealand team of scientists was responsible for the design of the low powered piles in Canada and at Harwell. It was accordingly agreed between the United States and British representatives that New Zealand should be free to construct such a pile if they wished to do so, provided, of course, that adequate security precautions were taken. The provision of information to the New Zealand Government concerning a low energy pile was specifically provided for in the *modus vivendi*.

The New Zealand Government subsequently asked the opinion of His Majesty's Government in the United Kingdom on the value, from the general Commonwealth point of view, of the erection in New Zealand of a graphite low energy experimental atomic pile. His Majesty's Government in the United Kingdom have considered this matter most carefully, particularly in regard to its security aspect, and the Prime Minister has now written to the Prime Minister of New Zealand<sup>2</sup> expressing the view that there would be an advantage to the Commonwealth in the development by the New Zealand Government of this project. Mr. Attlee has added that His Majesty's Government would be glad to assist the New Zealand Government, should they decide to proceed with the project, although no definite guarantee can be given that any materials required from the United Kingdom would be available at any specific time. Mr. Attlee also referred to the importance of introducing adequate security arrangements in connection with the project.

His Majesty's Government in the United Kingdom consider that the above information may be of interest to the United States Government.

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<sup>1</sup> Transmitted by Sir Gordon Munro to Lovett on October 27 with the notation that copies were also being sent to Carroll Wilson, General Manager of the United States Atomic Energy Commission, and to Canadian Ambassador Hume Wrong. Lovett acknowledged receipt on November 22 without comment (Department of State Atomic Energy Files).

<sup>2</sup> Peter Fraser.

Department of State Atomic Energy Files

*Memorandum by Mr. R. Gordon Arneson to the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] November 2, 1948.

Subject: Status of Technical Cooperation under the January 7 *Modus Vivendi*

The *modus vivendi* incorporated in the Minutes of the CPC meeting of January 7 states:

"It is recognized that there are areas of information and experience in which cooperation would be mutually beneficial to the three countries. They will, therefore, cooperate in respect of such areas as may from time to time be agreed upon by the CPC and insofar as this is permitted by the laws of the respective countries."

At this same meeting the CPC agreed that the nine areas of technical cooperation found to be mutually advantageous by the Sub-Group on Technical Cooperation should come into effect. In the discussion at the December 15 meeting<sup>1</sup> at which this report had first been examined it was understood that the list of areas was not exclusive and would be subject to more precise definition as exchange actually took place.

It was indicated that new areas of exchange might be opened up in the light of a continuous process of interpretation in actual operation.

At the January 7 meeting the Committee agreed to establish a standing Sub-Group of Scientific Advisers with the following terms of reference:

"1. Implement the report of the Sub-Group on Technical Cooperation which had just been declared to be in effect.

"2. Keep other possible areas of information and experience under review.

"3. Make recommendations from time to time to the CPC on the development of technical cooperation."

In this connection Mr. Lilienthal pointed out that the initial list of subjects for technical cooperation was necessarily rather widely defined and that separate topics in each of these areas would require consideration in the light of the laws of the three countries. Accordingly the U.S. member of the Sub-Group could not be given full discretionary authority. Mr. Makins responded that it was understood that the members of the Sub-Group would be guided by the restrictions of their respective national authorities which in the case of the U.S.

<sup>1</sup> For the minutes of the meeting of the Combined Policy Committee, December 15, 1947, see *Foreign Relations*, 1947, vol. I, p. 897.

would presumably be the Atomic Energy Commission. It was his understanding that the Sub-Group would not normally need to refer to the CPC except in case of disagreement or difficulty in effecting cooperation or for the purpose of seeking authority to add fresh areas of information and exchange.

The Sub-Group on Technical Cooperation, as originally appointed, consisted on the American side of Dr. Bush and Dr. Fisk, the latter Director of Research of AEC. Both being scientists they were in a position to give technical judgments concerning the subject matter at hand. In July Dr. Bush was replaced by Mr. Carpenter, not a technical man, who has recently been replaced by Mr. Webster, also without technical knowledge in this field. Dr. Fisk recently resigned from the Atomic Energy Commission and his place as Director of Research and as member of this Sub-Group has been taken by a Dr. Johnson.<sup>2</sup>

In consequence not only the membership but the complexion of the American side of the Technical Sub-Group has changed. On the side of Defense Establishment representation, present membership does not possess the requisite technical knowledge for an informed appraisal of areas proposed for exchange. Both Mr. Carpenter and Mr. Webster, who would be the first to admit lack of technical knowledge, have increasingly relied upon the advice of the military members of the Military Liaison Committee in passing judgment on the appropriateness of exchange of information in the nine agreed areas. Because the nine areas have been defined in rather broad terms there has been much room for administrative and operational interpretation. In general, it is fair to say that the AEC technical representative has inclined toward a more liberal definition, whereas the Defense Establishment representative has tended toward a very restrictive interpretation.

In part as a result of the episode concerning "the basic metallurgy of plutonium", the Military Liaison Committee has taken on the role of the "watch dog" of technical exchange and has insisted on rather extensive clearance and review functions with regard to the subject matter for discussion between U.S., U.K., and Canadian members.

The AEC considers that these review functions are being exercised in a very restrictive and narrow manner. It is concerned that exchange may be becoming so niggardly and reluctant that neither the spirit nor intent of the *modus vivendi* will be carried out. Apart from the moral question of honoring a firm commitment to the U.K. and Canada under the *modus vivendi* of January 7, the Commission is concerned that the increasingly narrow interpretation given to the areas of exchange may have a serious adverse effect on our raw materials situation.

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<sup>2</sup> Dr. Ralph P. Johnson.



The allocations made under the *modus vivendi* were for 1948 and 1949. Consideration must soon be given to allocations for 1950 and 1951. It seems quite evident that should the British come to feel that we were not carrying out our obligations with respect to exchange of information as provided in the *modus vivendi*, it could not help having an adverse effect on their approach to the allocation problem for the new period.

Negotiations with South Africa are in prospect for early 1949 to secure uranium in eventual quantities that are likely to be quite large. A falling out between the U.S. and the U.K. over the exchange of information aspect of our undertakings could very well sour the prospects of successful negotiations with the South Africans. It is expected that the United States will take the lead in those negotiations with the active support and assistance of the U.K. While the new Government of South Africa under Malan is ostensibly rather anti-British, there are nevertheless certain Commonwealth ties that are not easily unloosened. In fact, reports on the Commonwealth conference indicate that South Africa is moving back into the family a bit more closely.

It has been asserted in some military quarters that the United States should flex its muscles and be prepared if necessary to go it alone on the question of securing raw materials. These quarters argue that the U.K. is hopelessly dependent upon the United States in so many matters that the United States is in a position to dictate a junior role to the United Kingdom. By means of the club of ECA the U.K. could be told that she must not proceed with the production of plutonium or atomic weapons and that the United States will take unilateral action to assure adequate raw material supply from South Africa and the Congo. From these assumptions—which appear to me to be most dubious—it is then argued that exchange of information under the January 7 *modus vivendi* should be cut to the merest trickle or stopped altogether.

Setting aside the broader question of acceding to the request made to Secretary Forrestal by Admiral Sir Henry Moore on September 1 for exchange of information on the production of atomic weapons, on which everyone including the U.K. is agreed no action should be taken at this time, the immediate problem is the manner in which the United States should carry out its present undertakings as regards exchange of information. When a team of U.S. scientists reported back from a conference in London on Area 8, "The Design of Natural Uranium Reactors in which the Power Generated is not Wasted", that U.K. activities in this field seem to confirm an emphasis on plutonium production for eventual weapon use, Mr. Lilienthal asked for a meeting of the American side CPC to discuss whether this information

should affect existing arrangements for interchange. The minutes of that meeting which was held on July 6 record the following:

"The consensus of the Committee was that cooperation should continue as presently laid down. No initiative should be taken by the U.S. to add to the nine agreed areas of technical cooperation. If, however, the British made a formal approach to this effect the Committee should seriously consider doing so, subject of course to discussions with appropriate Congressional Committees."

At that time you stated your view that the information brought to the attention of the Secretary of State and the Secretary of Defense by the AEC should not in any way affect existing arrangements. You also pointed out that the question of plutonium production had not been raised at the December-January talks, but it was your view that it was not assumed on our side that the British would not produce weapons. You went on to say that the British had in fact confirmed to the Department of State on March 19 last that they would produce weapons. Mr. Carpenter stated that he had mentioned this problem briefly to Secretary Forrestal and went on to say that in his own view the information contained in the Commission's letter should not in any way affect existing arrangements.

The record is, therefore, clear that exchange of information in nine agreed areas was originally approved on January 7 and subsequently reaffirmed by the American side members of CPC on July 6. Nevertheless the AEC considers that the actual carrying out of this undertaking has become so seriously circumscribed by methods and procedures demanded by the Defense Establishment through the Military Liaison Committee that it is doubtful whether the undertaking is in fact being honored. It is probable that Mr. Lilienthal will wish to be in touch with you to discuss this matter and may request a meeting of the American side members of CPC to thrash out the whole problem.

In view of the high raw materials stakes involved—let alone the question of honoring the spirit and letter of our undertakings—it is recommended that the Department of State should throw its weight in favor of a more relaxed method of cooperation within the nine agreed areas, without prejudice to the larger issue of whether the areas should be extended to include the information requested by Admiral Sir Henry Moore on September 1.

R. GORDON ARNESON

Department of State Atomic Energy Files

*Memorandum of Conversation, by the United Secretary of State  
(Lovett)*

TOP SECRET

[WASHINGTON,] November 16, 1948.

Participants: Sir Oliver Franks, British Ambassador  
Mr. Lovett, Acting Secretary of State  
Mr. Hickerson, EUR  
Mr. Butterworth,<sup>1</sup> FE

Sir Oliver Franks, the British Ambassador, came in to see me at his request at 11:30 a. m., today to discuss several matters, among which was atomic energy. He started out by saying that he had no instructions from his Government to approach me and that he was doing so entirely on his own initiative.

He said that he had had conversations recently with Lilienthal, Oppenheimer,<sup>2</sup> and Sir John Cockcroft. These conversations had led him to the conclusion that the exchange of information and cooperation between our two Governments is not as good as it should be, and indeed not as good as it might be if the present understandings were interpreted somewhat more liberally. He therefore raised the question of whether it might not be desirable for the two Governments to exchange views on opening this whole question and seeing whether it would not be possible and desirable to expand their cooperation in this field.

Sir Oliver pointed out as an example of one of the questions which might usefully be discussed in such an exchange that they are going ahead in the UK with certain things; with US cooperation and assistance the British can go into production in a short time; but even without US assistance and cooperation in a somewhat longer time the British still expect their efforts to succeed and to be able to go into production. He said that this last fact had not, in his opinion, been fully understood in the US. He said that there had been a number of important developments since our conversations last winter which, in his opinion, might well justify a fresh examination of this whole question and he inquired what I thought about this.

I told Sir Oliver that there had been a number of important developments. Among these were the complete rejection of international control of atomic energy by the Russians, and, as a consequence, it appeared that no international agreement was likely for an indefinite period of time. Another important development was the election in

<sup>1</sup> W. Walton Butterworth, Director of the Office of Far Eastern Affairs.

<sup>2</sup> Dr. J. Robert Oppenheimer, Chairman of the General Advisory Committee of the United States Atomic Energy Commission; Director of the Institute for Advanced Study, Princeton, New Jersey; Director of Los Alamos Laboratories, Manhattan Engineer District, 1943-1945.

the US. In consequence of the election we will have a change in the heads of the committees in Congress which have been dealing with this matter.

I went on to say that we have the continued dispute in this country between the military and the Atomic Energy Commission over custody. There are, moreover, certain problems and uncertainties with regard to the Atomic Energy Commission itself.

I told Sir Oliver that, in my opinion, it would be a mistake for the US and UK Governments to have a general exchange of views on atomic energy at the present time. I suggested that we put this question aside at least for another couple of months or so until the Congressional Committees have been organized and get going and some of these other matters have been clarified.

Sir Oliver at once agreed with me that this would be desirable and said that as he had pointed out in the beginning he had raised this question entirely on his own initiative.

ROBERT A. LOVETT

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Department of State Atomic Energy Files

*The British Embassy to the Department of State*

TOP SECRET

AIDE-MÉMOIRE

ATOMIC ENERGY—NORWAY

In a note of the 20th August 1948<sup>1</sup> Mr. Donald Maclean of the British Embassy informed Mr. Arneson of a request which had been made to the British Government by the Norwegian Atomic Energy Institute for the treatment of uranium oxide. Subsequently Mr. Arneson spoke to Mr. Henderson of the British Embassy informally about this subject and said that the State Department, without having reached a final decision, were not disposed to welcome the idea that the British Government should meet the Norwegian request for the purification of the oxide. He said that if the British Government were to meet the Norwegian request, it would enable the latter to find out the exact degree of purity of oxide required for use in the pile. This had certain dangers from the point of view of security. There was also the risk that the Russians might occupy Norway and get hold of the purified oxide.<sup>2</sup> It was explained that the Norwegians had expressed

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<sup>1</sup> *Ante*, p. 746.

<sup>2</sup> In a memorandum to Lovett, November 22, Arneson stated that the present *aide-mémoire* had omitted the most important argument which had been presented to the British: that the Norwegian case should not be considered alone, but in accordance with an over-all review of atomic energy policy (Department of State Atomic Energy Files).

their intention to build a refining plant of their own should the British Government not be able to refine the oxide for them. In that event, and if the Russians were to invade Norway, they would obtain not only pure oxide but also the plant itself. Mr. Arneson countered by saying that the Norwegians would not be able to build a plant at any rate for two years. He emphasized, however, that the United States Atomic Energy Commission had not yet commented on this subject and that his views could in no way be considered as the final response of the United States Government.

2. The British Government have reviewed the matter again in the light of Mr. Arneson's views. While grateful to learn these preliminary views, they conclude that there is little danger involved in meeting the Norwegian request and that continued delay in doing so can only bring unfortunate results. The matter has been hanging fire for a considerable time and the British Government believe that it would be unfortunate to maintain a negative attitude on what is a relatively straightforward matter since it is desirable that the Norwegians and other European governments should look to Britain rather than to France for help and guidance in atomic energy developments. The British Government would therefore be grateful if the State Department could give this subject urgent attention so as to enable them to give a favourable reply to the Norwegians.

WASHINGTON, November 16, 1948.

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Department of State Atomic Energy Files

*The Acting Secretary of State to the British Ambassador (Franks)*

TOP SECRET

[WASHINGTON,] November 22, 1948.

MY DEAR MR. AMBASSADOR: The request that the Norwegians have made to the British Government which is the subject of two *Aide-Mémoires* from the British Embassy to the Department of State, dated August 20, 1948,<sup>1</sup> and November 16, 1948,<sup>2</sup> has been discussed with the National Defense Establishment and the Atomic Energy Commission. The consensus of view is that it would be unwise to come to any firm conclusion on the Norwegian matter as an isolated case. This Government feels that a general review must be made of its over-all atomic energy policy before it is in a position to express its view on the Norwegian request. Steps are being taken to make such a review within this Government, and pending its completion, the United States considers that a definite answer to the Norwegians would be premature.

Sincerely yours,

ROBERT A. LOVETT

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<sup>1</sup> *Ante*, p. 746.

<sup>2</sup> *Supra*.

Department of State Atomic Energy Files

*Memorandum by the Joint Chiefs of Staff to the Secretary of  
Defense (Forrestal)*

TOP SECRET

WASHINGTON, 24 November 1948.

Subject: Norwegian Efforts in the Atomic Energy Field

In accordance with the request contained in the memorandum from your office dated 29 October 1948,<sup>1</sup> the Joint Chiefs of Staff have studied the matter of the advisability of the United States Government concurring in British assistance to the Norwegian Government in processing uranium oxide for use in an experimental heavy water pile.

The processing of the uranium ore by the British would obviate the necessity for construction of the necessary plants in Norway. If Britain refuses, Norway may try to get this service from the French, who, if willing, probably could process the ore, although on a considerably less satisfactory and timely basis than could the British. The process is not highly secret, but plant construction is time-consuming and relatively costly by European standards. The effect then of processing the ore by the British or French would be to save the Norwegians one step in the production of fissionable material. An undertaking by Norway to produce fissionable material from refined products would involve development thereof of a potential for atomic or radiological warfare.

Establishment in Norway of facilities for the production of fissionable material is undesirable from the military point of view for the following reasons:

a. If undertaken with United States and/or British consent or assistance it would establish an extremely dangerous precedent in that other nations would be sure to make similar requests which would then be difficult to deny. Moreover, as Norway acquires experience and facilities in the atomic energy field, requests for additional information and assistance could be expected;

b. It increases the possibility that secret information obtained from the operation of the plant may fall into wrong hands, thus shortening the period of grace during which the United States will be the only nation possessing the atomic bomb;

c. It exposes to possible capture by the USSR Norway's fissionable material, processed uranium, and her production facilities;

d. It involves large and unnecessary expenditures by a nation now in such straitened circumstances that economic aid is being provided by the United States; and

e. It would create an additional demand for raw materials already in extremely short supply and for which the United States is competing in the world market.

The denial of the Norwegian request would avoid the establishment of a precedent and would also have the effect of delaying the produc-

<sup>1</sup> Not found in Department of State files.

tion of fissionable material in Norway for a considerable period of time. These considerations alone are believed to be overriding, even though it is possible that some degree of collaboration may, in consequence, result between France and Norway unless this can be forestalled on the diplomatic level.

The Joint Chiefs of Staff therefore feel that every effort should be made to prevent or at least discourage the establishment of facilities for the production of fissionable materials, pending the adoption of international control of atomic energy by the United Nations. They also feel that no favorable consideration should be given to any such request as Norway's pending adoption of a general over-all United States policy on such matters, this policy to include provision for certain selected atomic energy information or assistance to be granted only in return for direct and major security benefits not obtainable otherwise.

For the Joint Chiefs of Staff:

WILLIAM D. LEAHY

*Fleet Admiral, U.S. Navy,*

*Chief of Staff to the*

*Commander in Chief of the Armed Forces*

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Department of State Atomic Energy Files

*The British Embassy to the Department of State*

TOP SECRET

#### AIDE-MÉMOIRE

#### ATOMIC ENERGY—NORWAY

The British Government have considered the letter addressed by Mr. Lovett to the British Ambassador on the 22nd of November<sup>1</sup> on the above subject. They are disappointed that the United States Government have not yet been able to reach a firm conclusion on the Norwegian request. After reconsidering the matter, they do not think that they can reasonably or justifiably further delay a reply to the Norwegians, whose request was made three months ago, until the United States Government have carried out their review of general policy which may apparently take as long as four months.

For the reasons which have already been given to the United States Government, the British Government consider that they should accept the Norwegian request and feel obliged to indicate to the Norwegians now that they hope to be able to assist them. The British Government

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<sup>1</sup> *Ante*, p. 787.

will, however, explain to the Norwegians that they cannot at this stage say precisely when it may be possible to begin to take on their work since it must obviously be fitted in to the British programme at Springfield. There is no question of starting on the Norwegian contract for some time. In their earlier dealings, the Norwegians showed that they recognised that the work would have to be done at the convenience of the British Government.

The British Government feel that they cannot continue to hold up a reply to the Norwegians and that they ought now to make them the relatively encouraging response indicated above. They propose to approach the Norwegians this week.

WASHINGTON, December 2, 1948.

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Department of State Atomic Energy Files

*The Acting Secretary of State to the British Ambassador (Franks)*

TOP SECRET

[WASHINGTON,] December 2, 1948.

MY DEAR MR. AMBASSADOR: On November 30 Mr. Henderson informed Mr. Arneson verbally that London considers—notwithstanding the view I expressed to you by note of November 22, 1948—it is obliged to inform the Norwegians in the next few days of its willingness to undertake the purification of from ten to twenty tons of uranium oxide in the Springfields plant. He explained that London proposes to tell the Norwegians, however, that it can make no commitment as to when the schedule at Springfields will permit actual commencement of the work. At Mr. Arneson's request Mr. Henderson has confirmed this information by note of December 2.<sup>1</sup>

It is the considered view of the American members of the CPC that the action proposed by London should not be taken. It is felt that such action is not within the spirit of the *modus vivendi* of January 7 which provides among other things that "in the interest of mutual security, classified information in the field of atomic energy will not be disclosed to other governments or authorities or persons in other countries without due prior consultation." While the formalities of the foregoing have been fulfilled by the notification given, it is considered that the U.K. Government should not proceed without the concurrence of the United States Government.

We cannot give that concurrence now. While it is regretted that considerable delay has been involved in this matter and while it is hoped that a general review of policy in this field may be expedited, this Government reaffirms its opinion that favorable action on the

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<sup>1</sup> *Supra.*



Norwegian request at this time by the United Kingdom Government would be premature.

Sincerely yours,

ROBERT A. LOVETT

Department of State Atomic Energy Files

*Memorandum of Conversation, by the Chief of the Division of  
Western European Affairs (Achilles)*

TOP SECRET

[WASHINGTON,] December 10, 1948.

Subject: Defense of the Belgian Congo

Participants: M. Roger Taymans, Counselor, Belgian Embassy  
Mr. T. C. Achilles, Chief, WE  
Mr. W. J. Galloway, WE

In a conversation with M. Taymans who called yesterday afternoon at his request, Mr. Achilles stated that the Department had received a telegram from the Embassy in Brussels setting forth views expressed by M. Spaak concerning the inclusion of the Belgian Congo in the area to be covered by the North Atlantic Pact.<sup>1</sup> Mr. Achilles understood that M. Spaak had referred to the 30th Parallel North Latitude as being the southern limit under consideration in the military conversations in London and had expressed his concern that this limit included North Africa without providing for inclusion of the Belgian Congo, whose strategic position is of vital importance to all parties concerned, particularly to the United States, as well as to Belgium. He had further stated that he anticipated difficulties in explaining to the Belgian Parliament why the North Atlantic Pact included part of Africa but made no mention of the Congo.

Mr. Achilles stated that the United States did not consider that the North Atlantic Pact could possibly cover the Congo. Although United States thinking favored the Tropic of Cancer in preference to the 30th Parallel as the southern limit of the land, sea, and air space of the North Atlantic, it did not favor the inclusion of *any* African territory in the area defined by the Pact. If this latter view prevailed, the difficulties foreseen by Spaak would be lessened.

Mr. Achilles went on to say that the defense of the Congo was foremost in the minds of United States officials and that the National Military Establishment had been approached informally on this subject by the Department of State. The National Military Establishment attached the highest importance to the Congo's remaining inviolate, as did the Government as a whole, but we did not see that any specific reassurance could be given at this time. The great interest of the

<sup>1</sup> Telegram 2087, November 29; for text, see vol. III, p. 298.

United States in the integrity of the Belgian Congo was self-evident and was far more fundamental than any specific assurances.<sup>2</sup>

M. Taymans thanked Mr. Achilles for his expression of the above views and promised to convey them to the interested Belgian officials.

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<sup>2</sup> Achilles added the following in a letter to Taymans dated December 10: "We have discussed this question further with representatives of the National Military Establishment who have indicated that, if the Belgian Government should desire to convey to the National Military Establishment any specific views concerning the security of the Congo, they would be glad to exchange views with any representative M. Spaak might wish to send. This would not, of course, imply willingness on the part of the United States to undertake any specific commitments."

We have advised Ambassador Kirk of the foregoing with the request that he bring it to the attention of M. Spaak." (Department of State Atomic Energy Files)

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Department of State Atomic Energy Files

*The British Ambassador (Franks) to the Under Secretary of State  
(Lovett)*

TOP SECRET

WASHINGTON, December 21, 1948.

DEAR MR. LOVETT: In my recent absence from Washington Munro informed the British Government of the substance of your letter of the 2nd of December<sup>1</sup> in which you expressed the opposition of the United States Government to the proposal made by the British Government that they should inform the Norwegian Government of their willingness to assist in purifying a small quantity of uranium oxide.

I have now heard that the British Government have not yet said anything to the Norwegians. They consider, however, that the United States Government may have read more into their proposal than was intended. The British Government were not proposing to make any firm commitment to the Norwegians but merely to encourage them with the hope that they would be able to assist them. They hoped thereby to avert an immediate approach by the Norwegians to the French, for they believed that the French had facilities to refine oxide for the Norwegians in France and that the Norwegians would be likely to apply to them if no prospect of help from the United Kingdom was forthcoming.

The authorities concerned in London have again emphasized that there is no question of starting to refine oxide for the Norwegians for some time. Indeed they have informed me that the work might not be put into effect for two years. In these circumstances they cannot see what security risk is involved.

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<sup>1</sup> *Ante*, p. 789.

If I might sum up the position: The British Government have not so far sent any reply to the Norwegian approach which was made last August; they are reluctant to continue to leave the situation open for if they do so, they consider that the Norwegians may well turn for help to the French; they would like, therefore, to give some response to the Norwegians of a reasonably forthcoming kind but which would be quite non-committal. This would help to hold the situation and could not be of any danger to security. I would add that such an interim reply would not prevent the British Government from refusing the Norwegian request later if the United States Government decided, after reviewing the whole question of atomic energy development in Western Europe, that they could not give their consent.

Perhaps you would kindly let me know whether the course of action outlined above is agreeable to you.<sup>2</sup>

Yours sincerely,

OLIVER FRANKS

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<sup>2</sup> In a memorandum to Lovett, December 23, Arneson stated the following: "I am at a loss to know what form of words can accomplish what Sir Oliver refers to as a response which is both 'reasonably forthcoming' and also 'quite non-committal,' but perhaps the subtleties of British diplomacy can cook that one up." (Department of State Atomic Energy Files)

Also on December 23, the Under Secretary of State replied to the British Ambassador in a note which stated the following: "Your note of December 21 expressed London's concern that a negative reply to the Norwegians might drive them immediately into the arms of the French. I agree that cooperation between the French and Norwegians in this matter should be forestalled. I agree also that any reply to the Norwegians that can accomplish this without committing the United Kingdom Government actually to take on the work is desirable." (Department of State Atomic Energy Files)

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Department of State Atomic Energy Files

*The Acting Secretary of State to the Administrator of the Economic Cooperation Administration (Hoffman)*

TOP SECRET

WASHINGTON, December 30, 1948.

DEAR PAUL: I am writing this letter as a result of recent conversations between members of the Strategic Materials Division of the Economic Cooperation Administration, the Atomic Energy Commission, and the Department regarding ECA's role in procurement of atomic energy raw materials. These staff conversations have indicated the desirability of an interchange of official communications between our two agencies to supplement the informal views presented at a meeting in Mr. C. Tyler Wood's<sup>1</sup> office on August 3, 1948.

It would be helpful first to review briefly related discussions held

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<sup>1</sup> Assistant to the Deputy Administrator of the Economic Cooperation Administration.

with certain members of the Congress which are pertinent to the matter.

From the initial stages of the formulation of the European aid program there was considerable interest on the part of some Congressional leaders regarding the possible inclusion of uranium as one of the materials which this Government would seek from the recipients of U.S. economic assistance. Representatives of the Department called on these leaders in November 1947<sup>2</sup> at their request to discuss the problem in some detail. It was pointed out to the Congressmen that it would be prejudicial to our objectives to link the United States aid program with our desires to secure supplies of atomic raw materials and that such action might result in charges that the United States Government intended to bargain relief from want against continuation of the United States atomic monopoly, thus giving powerful corroboration to Communistic propaganda in opposition to the ECA. It was explained that supplies of uranium required for our atomic energy program were provided for through long-standing arrangements with certain foreign governments and that it would be undesirable to jeopardize the continuation of these arrangements by risking attacks on the governments concerned through injection of the uranium issue into the aid program. In this connection, Belgium was cited as an example where an effort to gain advantages beyond those already arrived at through mutual good faith might provoke a political crisis and thus threaten the security of our arrangements.

The Department had occasion to expand on the above views to other members of the Congress some time later when provisions designed primarily for the control of the export of atomic energy materials and equipment by European countries were being considered for inclusion in the ECA Bill. In addition to citing other reasons, the Department termed such provisions undesirable since the countries most likely in position to supply the materials, other than raw materials, desired by Eastern Europe, would be Sweden and Switzerland, neither of which would derive much assistance under ECA. Moreover, with respect to atomic energy raw materials controlled by European nations, it was stated that the United States has satisfactory understandings with all those countries likely to be of substantial importance in this connection and that these should not be jeopardized by use of our ECA leverage.

Immediately following enactment of the Economic Cooperation Act, the Department in collaboration with the Atomic Energy Commission, took steps to secure establishment of controls over exports of

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<sup>2</sup> This matter was discussed by Under Secretary of State Lovett, Secretary of Defense Forrestal, and Senators Hickenlooper and Vandenberg on November 16, 1947; for the record of that meeting, see *Foreign Relations*, 1947, vol. I, p. 864.

atomic energy materials to the Soviet sphere by Western European countries similar to those practiced by the United States Government. The premises of the Department's position that our objectives should be sought through diplomatic representations rather than through operation of the European aid program are outlined in my letter to you of June 28, 1948.<sup>3</sup> Although this letter is directed primarily to the problem of control over the export of atomic energy materials, including ores, to Eastern Europe, the philosophy included therein is also applicable to the problem of acquiring raw materials for our domestic program: the security objectives of Western European countries and ourselves are of mutual concern and any problems arising in this connection can be resolved through diplomatic channels without resort to other criteria such as those involved in the foreign aid program.

There are several additional points I would like to mention for your information to supplement the above commentary. First, the arrangements under which the Atomic Energy Commission secures raw materials from other countries are concluded on the basis of thorough consultation between the AEC, the National Defense Establishment, and the Department of State. In addition, these three agencies represent the United States on the Combined Policy Committee, under which U.S., Canadian and British cooperation in certain specific areas of atomic energy, including the acquisition of raw materials, is handled. Through procedures of long-standing, this Committee meets in Washington and it has been a natural development that consultations on atomic energy matters involving other foreign governments are likewise held here.

As a matter of practice communications between Washington and U.S. representatives abroad dealing with matters in this field are handled through the facilities of the Department and the American diplomatic missions abroad. ECA representatives have agreed in principle that transmittal of such information or samples regarding atomic energy raw materials, including uranium, thorium and beryllium, which become available to your missions abroad should be handled in the above manner and that coordination of the views of ECA and other interested agencies should be made in Washington. I am gratified to note how expeditiously this arrangement functioned both here and in Rome in the handling of two uranium problems which recently came to the attention of the ECA mission in Italy.<sup>4</sup>

I understand that consideration is being given to sending instructions to ECA missions abroad regarding their responsibilities in the field of atomic energy raw materials. The Department of State is pre-

<sup>3</sup> *Ante*, p. 714.

<sup>4</sup> Reference is to United States interest in samples of low grade uranium ore from northern Italy.

pared to render all necessary assistance in this connection particularly in clarification of any questions which may arise regarding the substance of this letter.

Sincerely yours,

ROBERT A. LOVETT

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Department of State Atomic Energy Files

*Memorandum of Conversation, by Mr. R. Gordon Arneson, Special Assistant to the Under Secretary of State (Lovett)*

TOP SECRET

[WASHINGTON,] December 31, 1948.

Subject: A. U.S. Request of the Netherlands to Conduct a Joint Survey for Thorium in NEL.

B. Parallel Export Controls

Participants: Netherlands Ambassador, Mr. E. N. Van Kleffens  
EUR—Mr. Jack Hickerson  
U—R. Gordon Arneson

The Netherlands Ambassador, in presenting the attached note which is in reply to our note of April 13,<sup>1</sup> explained that the reply of his Government had been delayed owing to the fact that only a very few officials know of the 1945 agreement. He explained that its existence is known only to himself, the Prime Minister, the Minister of Foreign Affairs, the Permanent Under Secretary of Foreign Affairs, the Minister for Overseas Territories, and the Permanent Under Secretary for Overseas Territories.

The Netherlands note confirms the extension of the agreement until August 4, 1951 by virtue of the option exercised by the U.S. and U.K. on April 13. As to the proposal of the U.S. to send a survey party to NEL, the Netherlands Government expresses its willingness to have such a survey conducted but feels that in view of the information transmitted with the note concerning the occurrences of monazite in the three islands in question, namely Billiton, Banka, and Singkep, there would appear to be little basis for such a survey. However, the Netherlands Ambassador emphasized the fact that should the United States Government still desire to carry out the survey the Netherlands Government would not only be willing that it be done, but would assist in every feasible way.

Mr. Hickerson and I thanked the Netherlands Ambassador for his note and told him a reply would be forthcoming in due course after the matter had been discussed with the Atomic Energy Commission.

The Netherlands Ambassador also referred to the approach made by our Ambassador at The Hague on September 2, 1948, on the matter

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<sup>1</sup> *Ante*, p. 704.

of instituting parallel atomic energy export controls.<sup>2</sup> He wished to know whether there was any connection between these two questions. He was assured that there was not and that indeed the approach on export controls was being made to a number of governments in the interests of mutual security. The Ambassador said he was glad to be reassured on this point and was confident that an eminently satisfactory reply would be forthcoming from his Government in due course.

[Annex]

*The Netherlands Ambassador (van Kleffens) to the Acting Secretary of State*

TOP SECRET

The Ambassador of the Netherlands presents his compliments to the Honorable the Acting Secretary of State, and has the honor to refer to Mr. Lovett's Top Secret memorandum dated April 13, 1948, in which notice was given that the Government of the United States of America, together with the Government of the United Kingdom of Great Britain and Northern Ireland, desired to exercise their option to extend, for an additional period of three years, the secret agreement between the Netherlands Government and the Governments of the United States of America and of the United Kingdom of Great Britain and Northern Ireland, signed in London on August 4, 1945.

2. In reply, Mr. van Kleffens has the honor to state that, as a result of the exercise of the said option, the Netherlands Government considers the agreement as extended for an additional period of three years, i.e. until August 4, 1951.

3. Mr. van Kleffens has been instructed to add that, the price of monazite sand being, according to information received by the Netherlands Government, in excess of the price agreed upon in the aforesaid agreement for the initial period of three years, his Government will avail itself of the final sentence of clause 5 of the agreement, should any purchases be made under that clause during the period indicated in para. 2 (above).

4. The memorandum of April 13, 1948, also contained a proposal, presented for the consideration of the Government of the Netherlands, for a field investigation of the monazite reserves of the islands of Biliton, Banka and Singkep by three qualified mineral engineers of the United States Government. This proposal, the memorandum stated, was made with the full knowledge and concurrence of the Government of the United Kingdom.

<sup>2</sup> *Aide-mémoire* not printed.

5. In reply, Mr. van Kleffens has been authorised to state that the Government of the Netherlands will gladly enable three qualified mining engineers of the United States Government to carry out the suggested field investigation. Before deciding whether it is worth while to have that investigation made, the United States Government may, however, wish to consider the following facts as borne out by data now in the hands of the mining companies:

(a) On the island of Banka, no monazite is found with a thorium content of any significance.

(b) Nor does present mining of tin ore on the island of Billiton yield monazite as a by-product. In former days, monazite was found in the south-western part of the island (Dendang district), which was dumped on the spot and left in the tailings. For the last thirty years, however, this part of the island has been unimportant for mining tin. There are no data extant from that former period with regard to monazite content in the said district, no attention having been paid to it in view of the very limited possibilities to dispose of monazite. If desired, the Billiton-Company could carry out an investigation in the district.

(c) Data on Singkep are annexed.<sup>3</sup>

In view of these facts the experts consulted by the Netherlands Government seriously doubt whether the dispatch of engineers for a field investigation on these islands would prove to be warranted. Should, however, the United States Government wish to proceed with the idea, the Netherlands Government, desirous to be helpful, will gladly lend its cooperation on the basis suggested in Mr. Lovett's memorandum of April 13, 1948.

WASHINGTON, December 31, 1948.

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<sup>3</sup> Annex not printed.



DELEGATION OF PRESIDENTIAL AUTHORITY TO THE  
SECRETARY OF STATE FOR THE DESIGNATION OF  
UNITED STATES DELEGATIONS AND REPRESENTA-  
TIVES TO INTERNATIONAL CONFERENCES AND  
ORGANIZATIONS

500.001/2-2848

*Memorandum by the Secretary of State to President Truman*

WASHINGTON, February 26, 1948.

It has always been the practice for the Secretary of State to submit to the President for approval the names of those persons proposed to represent this Government both permanently on international organizations and temporarily at international conferences. In some instances, like the United Nations, the enabling legislation for participation requires Presidential approval as well as Senate confirmation of United States Representatives, Alternates or Delegates. Otherwise, the practice of reference to the President has been a matter of custom, not of law.

Approval of the hundreds of such designations may be for you an unnecessary burden which could be partially eased now in view of the broad consideration among interested government agencies and private interested groups that normally precede my nominations to you. Furthermore, I believe that your attention may not be warranted for many technical or exploratory delegations, for many brief assignments or for the selection of advisory and secretariat staffs. Some few lists of advisory personnel on delegations to recent meetings have not been sent you because of their non-committal character. Since all such designations are peculiarly a Presidential prerogative, however, I would welcome a delegation of authority from the President to the Secretary of State for certain instances.

Therefore, I recommend that you continue to approve the designation of those United States Representatives, Alternates and Delegates to international organizations and conferences as required by law or of major importance, and that you delegate to the Secretary of State the authority to designate all other representatives and delegates as well as advisory and secretariat staffs for all groups. You would thus authorize me to state in any letter of designation: "By authority of the President the Secretary of State designates you . . .". A list of typical international activities in both categories is enclosed. If at any

time a difference of opinion arose within the Government on any of the matters so delegated to me, I would of course exercise the discretion of referring the question to you for decision.

I should appreciate your informing me whether you approve the above delegation of authority with regard to the designation of United States delegations and representatives to international conferences and organizations.<sup>1</sup>

G. C. MARSHALL

[Enclosure]

TYPICAL NAMES TO BE SUBMITTED AS USUAL TO THE PRESIDENT FOR  
APPROVAL

1. Permanent Representatives and Alternates to inter-governmental organizations as required by law.

Example: The United Nations.

2. Delegates to annual meetings of inter-governmental organizations, as required by law.

Examples: The General Assembly of the United Nations,  
The United Nations Educational, Scientific and Cultural Organization, General Conference.

3. Delegates to general inter-governmental meetings and to conferences where treaties or major international commitments are anticipated.

Examples: The Ninth International Conference of American States at Bogotá,  
The United Nations Conference on Trade and Employment at Habana.

4. Heads of Special Missions.

Example: The Joint Philippine-American Financial Commission.

5. Congressional representation.

TYPICAL NAMES TO BE APPROVED BY THE SECRETARY OF STATE WITHOUT  
REFERENCE TO THE PRESIDENT

1. Delegates to technical, regional and preliminary meetings of inter-governmental organizations.

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<sup>1</sup> Notation by the President: "A good suggestion. Glad to approve it. Harry S Truman".

Examples: African-Indian Ocean Regional Air Navigation Meeting of the International Civil Aviation Organization,  
5th Part of the 1st Session of the Preparatory Commission of the International Refugee Organization,  
Interim Planning Group for the High Frequency Broadcasting Conference of the International Telecommunications Union,  
Conference on International Libraries (UNESCO).

2. Delegates to *ad hoc* inter-governmental conferences of a consultative or exploratory character.

Examples: 7th Meeting of International Cotton Advisory Committee,  
6th International Hydrographic Conference,  
International Conference on Mine Safety,  
Multilateral Patent Exchange Discussions,  
5th Session of Rubber Study Group,  
4th International Congresses on Tropical Medicine and Malaria.

3. Delegates to professional meetings where no governmental commitments are contemplated.

Examples: 15th International Congress of Architects,  
8th International Congress of Entomology,  
International Conference on Mental Hygiene,  
7th International Botanical Congress.

#### STAFFING TO BE APPROVED BY THE SECRETARY OF STATE WITHOUT REFERENCE TO THE PRESIDENT

1. Advisory and secretariat staffs for the offices of permanent representatives to international organizations and for delegations to all international conferences.

UNITED STATES INTEREST AND PARTICIPATION IN THE  
CREATION BY THE UNITED NATIONS OF AN INTER-  
NATIONAL TRADE ORGANIZATION: THE HABANA  
CONFERENCE AND ITS AFTERMATH; UNITED STATES  
PARTICIPATION IN THE MEETINGS OF THE CON-  
TRACTING PARTIES TO THE GENERAL AGREEMENT  
ON TARIFFS AND TRADE (GATT)<sup>1</sup>

560.AL/10-2047: Telegram

*The Acting Secretary of State to the Embassy in Italy*

CONFIDENTIAL

WASHINGTON, October 20, 1947—noon.

U.S. URGENT

2114. Further developments re Ital participation Habana ITO Conf. Mascia Ital observer UN told Raynor USDel Oct 9 Italgov reluctant attend Habana Conf because vote denied and that if unable participate framing ITO Charter<sup>2</sup> acceptance latter probably dependent on many reservations. Hope Italgov clearly understands that Italy will participate Charter framing and will be accorded full rights, in-

<sup>1</sup> Continued from *Foreign Relations*, 1947, vol. I, pp. 909-1025.

<sup>2</sup> The Draft Charter for the International Trade Organization of the United Nations, had been substantially modified since the publication by the Department of State of *Proposals for Expansion of World Trade and Employment* (Publication 2411), November, 1945. The *Report of the First Session of the Preparatory Committee of the United Nations Conference on Trade and Employment* (E/PC/T/33) contains the text of the United States Suggested Charter, an elaboration of its earlier proposals, put before the meeting in September and October 1946 of the Preparatory Committee at London, as a basis for discussion. The Preparatory Committee's report also contains the text of a draft charter, which was reviewed by a drafting committee, meeting in New York City in January and February 1947. The Drafting Committee's report is printed by the United Nations as document E/PC/T/34.

Further consideration was given to the charter by the Second Session of the Preparatory Committee which met in Geneva on April 10, 1947. The Preparatory Committee's report of August 22 contains the Draft Charter—the Geneva Draft (E/PC/T/186) reprinted in its entirety by the Department of State as Publication 2927, Commercial Policy Series 106—which was to be used as the basis for discussion at the Habana conference.

An excellent resumé of the antecedents of the Habana Conference—the United States Trade Proposals of December 1945, the London Preparatory Conference of October 1946, the New York Drafting Session of January and February 1947, and the Geneva Preparatory Conference of April to August 1947—is found in the Official Report of the Chairman of the United States Delegation to the United Nations Conference on Trade and Employment, Habana, Cuba, November 17, 1947—March 24, 1948 to the Secretary of State (pp. 1-6), Department of State International Trade Files, Lot 57D284, Box 105. Material relating to the formulation of the Geneva Draft Charter is in this same lot file, Boxes 94-101.

cluding voting, in ITO upon membership (see Deptel 2011 Oct 9).<sup>3</sup> Only at Habana Conf, called by UN to set up ITO, will Italy be denied vote, but in this respect Italy no different from other non-UN countries which also denied vote. Raynor urged Italy carefully consider before definitely refusing attendance Conf since presence would give Italy many advantages despite vote lack.

Dept's reply to Italgov Sept 29 letter on vote gives reasons contained Deptel 2011. Also states Italy would have opportunity participate fully discussions all issues at Conf and that Italy became member other specialized agencies (IMF, World Bank, FAO) despite absence from constitutional conferences these agencies.

Dept concerned about Ital dalliance on attendance Habana Conf, whose attendance we consider most important. For Emb info, Dept fears that if Italy (a country with which we are cooperating so closely) should refuse accept invitation, or continues procrastination, this hesitation might well influence adversely attendance other non-UN members. Recommend vigorous approach Italgov, reiterating points outlined above and contained Deptel 2011. In addition, following argument should be made:

(1) Considering Ital active participation European Recovery Program and complete interrelationship ERP and ITO, it is difficult to see how Italy could afford not participate Conf.

(2) On basis experience at preparatory meetings London and Geneva, it is not unreasonable to expect that vast proportion decisions at Habana will be arrived at through general consent, with few if any important issues put to vote. This principle general agreement considered important by US for Charter probably would be unacceptable and inoperative if many provisions included on basis close vote.

(3) Dept would expect and encourage Italy, as well as other non-UN countries, participate most actively in discussions of all provisions Charter.

(4) Point out under Geneva draft can become "original member" with full rights.

Please advise Italgov reaction this tel, Deptel 2011, and whether Lombardo<sup>4</sup> (urtel 2824<sup>5</sup>) able convince Italgov attendance vital Italy's interests.<sup>6</sup>

LOVETT

<sup>3</sup> Not printed. In this telegram, the Department stated that the decision with respect to the non-voting members was consistent with precedents established at previous conferences (560.AL/9-1847).

<sup>4</sup> Ivan Lombardo had led an Italian Delegation to Washington for economic, financial, and commercial negotiations earlier in the year.

<sup>5</sup> Not printed. Lombardo had indicated that he believed the Italian stand an error, and had given "his personal word to work in favor of a reconsideration of this attitude." (560.AL/9-1847)

<sup>6</sup> On November 19, the Italian Embassy informally told the Department that in response to requests made by the American and British Governments, Italy was going to participate in the Habana Conference. The Embassy also said: "we would have an evident interest to get a seat as a permanent member of the Executive Council (of the ITO). This would seem completely justified by the importance which Italy will again have in international trade." Telegram 601, November 19, transmitted this information to Habana (560.AL/11-1947).

560.AL/11-2447: Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*

CONFIDENTIAL

HABANA, November 24, 1947—8 p. m.

658. Frito 283. Following is No. 1 of summary confidential reports from Habana ITO Conference for distribution to interested agencies.<sup>1</sup>

Conference opened November 21 by Cuban President Grau San Martin with general remarks containing no surprises. Some references to "young economies" but more moderate than usual expressions on this subject. Statements of welcome then made by assistant secretary general Cohen UN, Max Suetens president Preparatory Committee, representatives IMF, ILO. (Text of these statements airmailed to Department.)<sup>2</sup>

At brief second plenary meeting November 22 Sergio Clark (Cuba) elected president and Max Suetens (Belgium) first vice president. November 22, 23 and 24 devoted to heads of delegations meetings to organize conference. These meetings and cloak-room conversations indicate Argentina is energetically organizing Latin American bloc. For instance in spite prearrangement to elect Suetens president, Latinos deadlocked meeting and insisted Sergio Clark be given post. This move consummated despite sincere unwillingness Clark to accept post as well as repeated statements other members Cuban delegation they would prefer position go to Suetens. Delegates informed Argentines called meeting November 21 of other Latin American delegations with purpose organizing voting block.<sup>3</sup> Plan subsequent meetings. Argentines also taking initiative in violating ECOSOC directive non-UN members may not vote by arguing strongly all members at Habana meeting vote. This course discussion rules of procedure November 24 heads of delegations meeting.<sup>4</sup>

Potentially touchy dispute over composition important steering committee avoided by United States compromise whereby committee

<sup>1</sup> William L. Clayton, former Under Secretary of State for Economic Affairs, was chairman of the United States Delegation to the Habana Conference, and Clair Wilcox, Director, Office of International Trade Policy, Department of State, was vice chairman. For a list of the Delegation's advisory and supporting staff, see Department of State *Bulletin*, November 23, 1947, pp. 981 and 982. The official files of the United States Delegation to the Habana Conference are in Lot 57D284, Boxes 101-107.

A master file of the Delegation's Summary Reports (1-60) and also of the minutes of delegation meetings is in Box 105.

<sup>2</sup> None printed.

<sup>3</sup> Ambassador Norweb informed the Department on November 29, in telegram 678, Frito 288, that William Clayton, head of the U.S. Delegation, had given a series of informal luncheons and dinners, primarily for Latin American delegates during the past week. The U.S. Delegation concluded that except for Argentina and Uruguay, the Latin American delegation heads were friendly and that understandings might be reached with them without undue difficulty. (560.AL/11-2447)

<sup>4</sup> This sentence is apparently garbled.

enlarged from 16 to 18. Committee will be composed president Clark, Suetens Belgium, six other vice presidents representing India, Egypt, New Zealand, Switzerland, Costa Rica, Czechoslovakia; chairman of commissions Dedman Australia Comis 1; Beteta Mexico Comis 2; Wilgress Canada Comis 3; Charlone Uruguay Comis 4; Hakim Lebanon Comis 5; Colban Norway Comis 6. Steering committee complement completed with addition Big Four France, China, United Kingdom, United States. Foregoing slate achieved in face bitter Argentine maneuvering with objective of giving Latin America five posts on this committee.

NORWEB

560.AL/12-447: Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*

CONFIDENTIAL US URGENT

HABANA, December 4, 1947—7 p. m.

709. For Clayton from Wilcox State Department distribution only. Australians had reserved position on Article 24 Paragraph Two Geneva draft which established finality monetary fund determinations on balance of payments escape clause. They have now introduced amendment destroying finality fund determination.<sup>1</sup> I told Coombs<sup>2</sup> existing provision imperative if administration is to recommend charter to Congress. He promised to write Chifley<sup>3</sup> in detail on matter but says delegation under strict instructions cannot change position without Chifley's approval, says Australian Government opposing us because US used political influence in fund to prevent election Australia as director. Luthringer<sup>4</sup> says however we agreed elect Australia to subsequent vacancy. Suggest (1) you inquire as to situation in fund, (2) take question up with Australian Ambassador in Washington and (3) instruct American Ambassador Canberra to see Chifley before latter leaves for Christmas in New Zealand and inform him US Government believes Australian position this issue most serious threat to success Habana conference and may destroy any prospect ratification charter in US.

When we agreed to relax provisions against discrimination in charter and trade agreement Geneva French Cabinet consented to support US on finality fund determinations as *quid pro quo*. Did not reserve position of Article 24 Paragraph Two yesterday without warning French Delegation attacked this provision in open meeting. I saw

<sup>1</sup> For a more complete exposition of this point see: Deptel 4419 to Paris *infra*.

<sup>2</sup> Dr. Herbert C. Coombs, Director General, Ministry of Post War Reconstruction and Head, Australian Delegation at Habana.

<sup>3</sup> Joseph B. Chifley, Australian Prime Minister.

<sup>4</sup> George F. Luthringer, United States Alternative Executive Director, International Monetary Fund.

Philip Richard and Royer<sup>5</sup> today told them US regarded attack as breach of Geneva understanding, said we would oppose France on every point in charter unless position reversed, said there would be no charter and no ITO if Australia and France defeated us on this point. Philip replied he was under instructions. I informed him I would report immediately to you and matter would probably be taken up directly with his government.

Australia and France are both bound by finality fund determination in corresponding article general agreement tariffs and trade.<sup>6</sup> If charter defeated they can escape from this provision only by repudiating general agreement. In this case they lose all concessions made to them by twenty other countries. This issue is crucial. Believe we should use all possible pressure to whip them into line. [Wilcox.]

NORWEB

<sup>5</sup> André Philip, formerly French Minister of National Economy; Jean Richard, Deputy Director, Ministry of National Economy; and Emile Royer, Ministry of National Economy.

<sup>6</sup> For the text of the Protocol of Provisional Application of the General Agreement on Tariffs and Trade (GATT) concluded at Geneva, Switzerland on October 30, 1947, see Department of State Treaties and Other International Acts Series (TIAS) No. 1700 (two volumes), or 61 Stat. (pts. 5 and 6). For a brief description of the General Agreement and related documents, see *Foreign Relations*, 1947, vol. I, pp. 1021-1024.

560.AL/12-647: Telegram

*The Acting Secretary of State to the Embassy in France*

CONFIDENTIAL

WASHINGTON, December 6, 1947—11 a. m.

US URGENT

4419. For the Ambassador. Geneva draft ITO Charter Article 24 (2) contains provision making determination of IM Fund final on issue of whether country is in balance of payments difficulties justifying use of quantitative restrictions. We consider this provision of critical importance. Quantitative restrictions are worst type of barrier to trade and their use can completely nullify tariff concessions granted to us in return for reductions our tariff. It is essential that there be protection against unjustified use of quantitative restrictions and IMF seems to us proper agency to decide whether conditions justifying their use exist. For your own information Congress will of course attach great importance to our weight of voting in IMF.

When we agreed at Geneva to relax provisions against discrimination in Charter and Trade Agreement French Cabinet agreed support United States on finality fund determination as *quid pro quo* and did not reserve position on part 2 Article 24. Without warning on December 3 French Delegation attacked this provision in open meeting.



Please see Lacoste<sup>1</sup> personally and if necessary Schuman<sup>2</sup> advising them that Clayton regards French attitude this issue serious threat success Conference and prospect ratification charter United States.

Please point out France bound by finality fund determination in corresponding article general agreement tariffs and trade. If charter defeated they can escape from this provision only by repudiating general agreement. In this case they lose all concessions made to them by twenty other countries.

LOVETT

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<sup>1</sup> Robert Lacoste, French Minister of Commerce and Industry.

<sup>2</sup> Robert Schuman, French Premier.

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560.AL/12-447: Telegram

*The Acting Secretary of State to the Embassy in Cuba*

CONFIDENTIAL

WASHINGTON, December 6, 1947—3 p. m.

670. For Wilcox from Brown State Department distribution only. Clayton will confer Australian Ambassador<sup>1</sup> here Tues morning re subject urtel 709 Dec 4. Instruction to US Ambassador Canberra<sup>2</sup> not being sent pending outcome Clayton talk with Australian Ambassador here. Caffery<sup>3</sup> requested discuss matter with French cabinet ministers along lines indicated urtel and repeat results discussion to Habana.

Re Australian director on Fund, Board of Governors Fund adopted resolution at London Sept 1947 providing for fourteenth director to be elected by countries not represented by a director as of Dec 31 1947. This assures election of Australia. US sponsored this proposal. Suggest you request Coombs cable rather than write this information to Canberra since Chifley will undoubtedly receive cable message from Australian Ambassador here reporting conversation with Clayton. Luthringer fully conversant background Fund director problem. [Brown.]

LOVETT

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<sup>1</sup> Norman J. O. Makin.

<sup>2</sup> Robert Butler.

<sup>3</sup> Jefferson Caffery, United States Ambassador to France.

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560.AL/12-847: Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

CONFIDENTIAL

US URGENT

PARIS, December 8, 1947—6 p. m.

5270. In conversation last evening with Chauvel, General Secretary Foreign Affairs, I took opportunity to indicate briefly Department's

and Clayton's reaction to French delegations attack on Article 24 (Deptel 4419, December 6).

Chauvel felt this incident required special attention by Foreign Affairs and asked me to give him memorandum on incident and our position thereon. He would then press matter with competent ministers in effort to prevent recurrence. Accordingly, I have transmitted memo to Chauvel on basis Deptel under reference. If satisfactory assurances not forthcoming immediately shall pursue matter with Lacoste and Schuman if necessary.

During conversation with Guindey<sup>1</sup> this morning, Reagan<sup>2</sup> brought up incident of French delegation's attack on provision December 3 in view of known support Minister of Finance<sup>3</sup> to Article 24 against opposition Philip and other officials in other ministries. Guindey said his government had received cable request from Philip Habana for instructions whether French should propose any amendment to Article 24 in view of deadline which Guindey understood to be December 6. Guindey said Philip instructed by cable December 6 to propose no amendments. Philip had also asked whether he should support Belgian proposed amendment which would alter voting powers of fund members (Guindey did not know details Belgian proposal but Reagan gathered inference was to weaken US voting strength). Philip was instructed not to support Belgian proposal.

Asked for explanation of French "attack" Guindey surmised French "exposé" December 3 was not really attack but probably reiteration of French position (particularly Philip's) on this article during discussions Geneva. It was pointed out to Guindey that, since French Government had formally accepted Article 24 and parallel position in general agreement, it seemed gratuitous and unnecessary for French delegates Habana to reiterate position taken during discussions Geneva, especially as such repetition might have adverse influence on attitude of other delegations at Habana. Guindey admitted validity this argument and said he would have matter investigated and effort made to bring French delegation under control.

Sent Department 5270, repeated Habana 11 for Clayton USDel ITO conference.

CAFFERY

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<sup>1</sup> William Guindey, Director of Economics and Financial Affairs, French Ministry of Finance.

<sup>2</sup> Daniel Reagan, Counselor of Embassy for Economic Affairs at Paris.

<sup>3</sup> René Mayer had become Minister of Finance on November 22, 1947.

560.AL/12-1347

*Memorandum by the Public Relations Officer of the U.S. Delegation (Dennison) to the Chief of the Division of Public Liaison (Carter)*

HABANA, December 13, 1947.

Subject: ITO Conference Summary, December 4-11, 1947.

*Committee I—Employment and Economic Activity*

The four major issues which have arisen in connection with the employment and economic activity chapter may be summarized as follows:

1. The desire on the part of several countries to broaden Article 4 to include detailed provisions regarding conditions of labor and treatment of migratory labor, the latter being of particular concern to Mexico. The United States is in sympathy with the desire for social legislation and improvement of labor conditions but believes that such provisions are not properly within the scope of the ITO.

2. Various proposals have been introduced which would have the effect of releasing a member country from its responsibilities under the commercial policy chapter if the country felt that it was being damaged by employment policies adopted by another Member—by competition from products produced under substandard conditions of labor and pay. The most extreme position is represented by Uruguay and a modified amendment has been put forward by Mexico.

3. Italy is particularly concerned with restrictions (by means of immigration laws) on migration of peoples from over-populated countries and has introduced a resolution to the effect that Members "recognize that the existence at the same time of the problems of unemployment and lack of manpower requires the gradual repeal of every restriction to international migration not justified by vital requirements of the country concerned . . ." While it is recognized that for Italy the question of excess population is a very pressing one, the United States does not believe that the solution to the problem lies within the scope of the ITO Charter.

4. Norway has introduced the question of permitting a member country to take price stabilization measures as a means of insulating itself against inflationary movements in another country, on the ground that problems of inflation are just as important as problems of deflation and that they should be equally covered in Chapter II. Norway has also proposed a phrase in Article 3 (obligating a Member to take action to achieve and maintain employment) which would also obligate each Member "to prevent wide fluctuations in the general level of demand or prices." The implications of the Norwegian proposals are not yet entirely clear. They do, however, open up a whole new question, namely, inflation control. They would appear to be introducing not only a substantially new obligation but also a new escape clause for measures to be taken by countries operating under a controlled economy.

These questions are all under consideration in subcommittee meetings this week and consideration of subcommittee recommendations will begin in the full committee on Monday, December 15.

### *Committee II—Economic Development*

Basic issues involved in the many amendments which have been submitted for this chapter center around proposals for the Organization to take positive measures to assist Members in their economic development. Of these perhaps the most important is an amendment proposed by Mexico for the establishment of an economic development commission. The proposal was actually made as an amendment to Article 70 in the chapter on organization but the purpose of creating the committee relates to the economic development chapter. The Mexican proposal involves the following ideas:

1. The committee should be permanent, on a level equal to the Tariff Committee, and should be composed of fifteen governments.
2. It should help any Member desiring assistance in obtaining it, either from the International Bank, from other Members of ITO, or through the ITO itself.
3. It would represent the interests of under-developed Members in the deliberations of the executive board, the Conference, or the Tariff Committee of ITO.

Mexico was supported by Venezuela, Cuba, Costa Rica, Egypt, China, Pakistan and El Salvador. Greece, Turkey, France and Italy stressed the need for reconstruction as well as development.

Other countries stressed the difficulties involved with the Mexican proposal including:

1. The undesirability of a top-heavy structure in ITO and the need for flexibility.
2. The danger of overlapping with other intergovernmental organizations.
3. The danger of an excessive budget for the ITO.
4. The view that this matter is premature until the work of other organizations has become more clear.
5. The need to consider the final draft of Chapter III.
6. The overall responsibility of ECOSOC.
7. The danger that such a body as a governmental committee within ITO would interfere with the other organs of the ITO.
8. The fear that such a body might lose sight of the primary duty of the under-developed nations themselves to take the major responsibility for their own development.

Delegations taking this view included Australia, U.K., Sweden, Belgium, Canada, Luxemburg and South Africa.

Since this question concerned both Committee II and Committee VI on organization, it was decided to have a joint subcommittee to consider this and related amendments. It was suggested that the committee

be instructed among other things to examine the activities of other UN agencies or organizations in the economic development field.

Upon the suggestion that the proposal for a committee on economic development should be referred to the subcommittee, the Australian delegate made an effective statement along the following lines:

His country was under-developed and he considered Chapter III to be of vital importance to the Charter. Were the Organization not to fulfill its proper functions in the field of economic development, the rest of the Charter would fall. However, his delegation considered that it would not be desirable to give the Organization its "working instructions" in the Charter and thus to phrase an internal organization system which might, in the long run, prove to be unworkable. While in agreement, therefore, with the proposal to refer the Mexican amendment on a committee for economic development to a sub-committee, he wished to make clear that the Australian position was in favor of leaving the internal organization of the ITO in this regard flexible.

*Investment:* A number of suggestions have been made regarding Article 12. However, if the United States proposal to eliminate paragraph 2 of Article 12 is accepted, the amendments relating to this paragraph will automatically be dropped. Chile has introduced a new paragraph directed at increasing the flow of private investments to under-developed countries which would require Members to "prevent all speculation in consumer goods of vital importance to other member countries"; to facilitate the establishment of industries in other member countries; and to provide that Members "with a favorable balance of payments and plentiful supplies of capital shall take the necessary steps to facilitate the obtaining of adequate long and short-term credits . . . by countries which request them . . ." This and one or two proposals of a related character are considered by the United States out of line with the Charter and not feasible.

With respect to preferential arrangements for economic development, a number of amendments have been introduced which would have the effect of loosening up the present provisions of the Charter which currently require prior approval by the Organization before new preferential arrangements can be entered into. The general line of the proposals is to permit new regional preferential arrangements to be entered into on notification to the Organization but without prior approval.

#### *Committee III—Commercial Policy*

In connection with Committee discussion of Article 16 which provides for most-favored-nation treatment, an Argentine amendment to substitute reciprocity for the unconditional most-favored-nation clause received no support from any delegation. The effect of such an amendment would be to require a *quid pro quo* on a country by country

basis for every concession made by each country with respect to customs tariffs, payments for imports and exports, methods of levying duties, etc.

*Preferences:* Article XVI also contains exemptions from MFN treatment for certain existing preferential arrangements including the one between the United States and Cuba. Peru, supported by Santo Domingo, urged deletion of the exemption for Cuban-U.S. preferences on the ground that there was no longer any justification for them.

The discussion on the exemptions clauses was closely related to arguments brought forward in the Economic Development Committee when it considered the restrictions on setting up of new preferential systems contained in the Development Chapter.

The Committee agreed to set up a joint sub-committee with Committee II to consider the problem of new preferences, including those for economic development, and the maintenance of existing preferences as exceptions to the MFN clause.

Mr. Leddy (U.S.)<sup>1</sup> made the following points on the preference question:

1. The U.S. had followed the debate with interest and with sympathy for both the countries which wished to eliminate certain preferential systems and those which wished new preferences.

2. The U.S. is wholeheartedly in accord with the principle of eliminating preferences because they tend to restrict trade and give rise to conflicts between countries.

3. Long consideration and discussion in meetings of the Preparatory Committee had led U.S. to conviction that elimination of all existing preferences overnight would create insuperable political and economic disturbances. The Draft Charter prevents increase in existing preferences and provides for their elimination through negotiation.

4. With regard to new preferences, U.S. is of the opinion that in general they do not form a suitable device for economic development but we recognize that there are special cases where new preferences may be justified. Hence we favor approach of Draft Charter requiring a case-by-case scrutiny by the Organization to see whether the proposed preferences would be likely to prove a net gain to the world.

Approximately 300 amendments have been introduced covering all of the sections of the Commercial Policy Chapter, and are now being analyzed, but the most controversial in addition to preferences center around the following issues:

1. Quantitative restrictions. Most of the proposed amendments look toward the establishment of escape clauses to permit a greater use of quota restrictions.

<sup>1</sup> John Leddy of the Division of Commercial Policy, was a technical advisor on the U.S. delegation.

2. Exchange controls and balance of payments. Proposed amendments indicate a desire to liberalize the present provisions to permit freer action in establishing exchange controls by countries which find themselves in balance-of-payments difficulties with some pressure for not requiring approval by the International Monetary Fund that a country's balance-of-payments situation does in fact require that it be granted an exemption from the control provisions.

3. Mixing regulations.

4. Subsidies. The U.S. has introduced amendments which would apply the ban on export subsidies to nonprimary products only. This would make unnecessary the elaborate series of exceptions in the Geneva Draft which in effect exempted most primary product subsidies other than those employed by the U.S.

#### *Committee IV—Restrictive Business Practices*

The principal points at issue which are currently under consideration in sub-committees are as follows:

1. General obligation of members towards restrictive business practices.

The Geneva Draft obligates a member to take appropriate steps to prevent business practices "which restrain competition . . . whenever such practices have harmful effects on the expansion of production or trade and interfere with the achievement of any of the other objectives set forth in Article 1". A proposed amendment by Norway would insert a further condition which would in effect require a determination that the commercial enterprises in question "possess effective control of trade between two or more countries in one or more products". This change was resisted by the U.S. as a serious watering-down of the obligations and of the purposes of the Chapter.

2. Exemption of Public Enterprises.

Argentina has proposed an amendment to delete all mention of public commercial enterprises from the Chapter on the ground that such an agency as the Argentine Institute for the Promotion of Interchange, being state-owned, might be affected although its function is to aid in the development of Argentina's national economy, and not to restrict trade, and to include public enterprises would constitute an infringement of sovereignty.

The Argentine amendment involves the whole issue of state-trading operations and is the fundamental issue being raised in the chapter. The U.S. takes the position that public commercial enterprises must be subject to the same rules as private enterprise. In support of the Argentine position, Peru declared that the chapter condemns the applications of new business ideas such as are now in force in Sweden, New Zealand, the United Kingdom and the USSR, as well as other eastern European countries. Many nations, including those in Latin America, were developing their economies by means of public enter-

prises, under which they sought their own markets and controlled their own consumption in order to aid their development.

### 3. Exemption of Services.

Argentina has proposed that the whole of Article 50 which sets forth the procedure for dealing with restrictive business practices relating to certain international services, "such as transportation, telecommunications, insurance and banking", shall be deleted from the Chapter.

### *Committee V—Inter-Governmental Commodity Agreements*

Following are the main problems which have arisen in connection with the Commodity Agreements Chapter:

#### 1. The respective roles of the FAO and ITO.

India has introduced an amendment to increase the role of the FAO in the making of inter-governmental commodity agreements by specifically establishing the right of FAO to call commodity conferences. There has been no substantial support for the Indian proposal. It was pointed out by the delegate from the U.S. that his government had always favored the inclusion of an FAO representative in a commodity commission and that no opposition had been expressed during the Preparatory Committee discussions. However, there had to be some central authority over the structure of the control agencies and it was logical that that authority should rest in the ITO.

The Canadian representative pointed out that the question of commodity agreements was closely linked to other provisions of the Charter, particularly to those regarding the subsidization of exports, and strongly supported the position that the authority to initiate commodity control agreements could not be allowed to rest outside the ITO. France, Cuba and the United Kingdom also supported the Geneva Draft on this point.

#### 2. Conditions Governing the Use of Commodity Control Agreements (Article 59).

An amendment was introduced by Venezuela to add to the conditions, under which a commodity control agreement would be permissible, a clause that would permit any control agreement the purpose of which was to fulfill the objectives of Article 54(c), namely, the stabilization of prices in primary commodities. The two conditions in the Geneva Draft are, in brief, that burdensome surplus must exist or be threatened, or that unemployment in connection with a primary commodity has developed or is expected to develop. It was argued by Venezuela that disequilibrium in supply and demand and fluctuations of prices were not always caused by the conditions mentioned in Article 59, and that therefore these cases would not be covered under the present wording. Pakistan and Colombia supported this position.



It was the view of the United States, the United Kingdom, France, the Netherlands, and Australia that to insert the suggested provision would vitiate the purpose of the article by eliminating the burdensome surplus requirement and that when the Chapter was considered as a whole the problems of price fluctuations had been adequately covered. It was pointed out by the delegate from France that the Commodity Chapter provided an exception to the provisions of previous chapters, particularly the one on Commercial Policy; it permitted Members in exceptional circumstances to use measures otherwise debarred. There was a distinction between inter-governmental commodity agreements in general and commodity control agreements—the former were for the purpose of expanding production or consumption and need not fulfill very strict conditions since they did not constitute an additional barrier to international trade. But the purpose of control agreements was to limit production or to regulate prices and tended to place obstacles to trade. Therefore, such an agreement should take place only under specific circumstances.

### 3. Levels of Prices.

There are a number of proposals which would spell out criteria for price determination under an agreement, such as the costs of equipment, the prices of many products for consumption, etc., which would suggest higher prices for primary products than might otherwise be indicated by the present wording, "prices fair to consumers and remunerative to efficient producers".

4. Extension of the term "primary commodity" to include manufactured articles.

Uruguay has introduced an amendment to have the term "primary commodity" include not only "any product of farm, forest or fishery or any mineral, in its natural form or which has undergone such processing as is customarily required to prepare it for marketing in substantial volume in international trade", but also "the industrial equipment required for processing" such products (farm machinery, etc.). The amendment was supported by Argentina, Mexico, and Turkey.

The United States and the United Kingdom opposed the proposal largely on the ground that it would not achieve its purpose. The delegate from Australia pointed out that the great range of manufactured goods was not capable of being introduced into a Commodity Agreement, although an individual agreement could perhaps refer to certain related technical equipment.

### *Committee VI—Organization*

The Mexican proposal to establish an Economic Development Committee which was discussed at length in Committee IV is summarized

under Committee II, Economic Development. The other issue which was debated at great length is the question of weighted voting vs. one vote for each country. The position of the United States was outlined as follows:

1. That the changes in the substantive portions of the Charter since the original U.S. suggested draft have warranted a reconsideration by the U.S. of its original position against weighted voting.

2. There is general recognition that larger Members assume larger responsibilities in many respects, e.g., budget.

3. U.S. must view the question on the basis of eventual drafts of substantive articles of the Charter.

4. That formulae can be developed and might be practicable, e.g., formulae have already been developed in many inter-governmental organizations concerning budgetary contributions.

5. U.S. does not like British weighting formula (Formula "A") or alternative "C" (setting up composite voting method).

At the conclusion of the discussion, the Chairman summed the position as follows:

Out of 58 delegations, 35 had favored unit voting, of which 3 (*France, Netherlands and New Zealand*) stated that they had an open mind. The *U.K.* had favored a light weighted voting, with support from *Canada, Southern Rhodesia, Norway, and Sweden*. The *U.S.* alone had spoken in terms of a heavy weighting. Two delegations stated that they had no preference—*Belgium and Luxemburg*. Finally *China* favored the composite arrangement provided under Alternative "C".

No action was taken and the Chairman postponed the matter for further consideration at a later date when other questions, such as the composition of the Executive Board, had been covered.

#### *Amendments*

There are various methods of counting amendments so that figures will vary considerably. The U.S. analysis, however, shows 602 amendments introduced. Of these, the Latin American countries introduced more than one-half (341), with Mexico leading all countries with 85, and Argentina second with 73.

Countries which had participated in the meetings of the Preparatory Committee submitted a total of 166, of which 53 were accounted for by Chile and Cuba. Of the 602 amendments submitted, 432 would appear to be so generally or fundamentally in opposition to the Geneva Draft of the Charter as to necessitate their rejection.

560.AL/12-1947: Telegram

*The Acting Secretary of State to the Embassy in Cuba*

CONFIDENTIAL

WASHINGTON, December 19, 1947—5 p. m.

723. For Wilcox from Brown. Reurtel 709. Australian Ambassador handed us today his Govt's reply Clayton's approach to him reported Deptel 670.

Australians give strongest assurances their position Geneva and Havana not influenced slightest by lack support U.S. regarding question eligibility Australia participate election thirteenth Director Fund. Australian Govt fully appreciates attitude U.S. in relation fourteenth Directorship.

Last sentence para 2 Article 24 inserted initiative U.S. at comparatively late stage Geneva discussions.

Australia maintains that while Fund should be fully consulted by ITO on matters such as exchange restrictions which affect its special responsibilities, it would be wrong in principle for the "final decision" on issues arising under Trade Charter to rest with another organization parallel but not superior in status to ITO.

Since Australian amendment proposes not merely that Fund would have right to be consulted but that special weight would be given its opinions, Australia thinks Fund would have all protection it could reasonably ask for its own interest and status.

As member Fund Australia anxious promote its success. Feels more harm than good might be done by attempting expand Fund's authority at expense other international organizations.

Australians recognize Clayton difficulties with Congress but also has Parliament and people which have been induced only with greatest difficulty accept Bretton Woods. Govt feel still active opposition in Australia to Bretton Woods might easily extend to Trade Charter if key clause in Charter were to be administered in last resort by Fund.

Australia feels its proposed amendment goes long way towards meeting U.S.

Australia sees no need under its amendment for ITO create any additional machinery or organization for handling matters arising this connection.

Ambassador stated this message came direct from Prime Minister. We regretted Australia not able agree our proposal and reiterated this was crucial issue for U.S. which might make all difference our attitude Charter.

Ambassador suggested any further conversations this subject be held by Clayton or Wilcox with Dedman.<sup>1</sup>

Text Australian memo follows airmail. [Brown.]

LOVETT

<sup>1</sup> John J. Dedman, Australian Minister for Post-war Reconstruction, Minister for Defense, and Minister in charge of the Council for Scientific and Industrial Research; Member of the Australian Delegation at Habana.

560.AL/12-2647: Telegram

*The Acting Secretary of State to the Embassy in Cuba*

SECRET

WASHINGTON, December 30, 1947—7 p. m.

763. For Wilcox and Nufer<sup>1</sup> from Daniels and Smith.<sup>2</sup> Subject further possible comment following receipt detailed info promised your 783 Dec 26 cannot suggest any easy method for resolving current difficulties with delegates of other American republics at Habana.<sup>3</sup> As you have learned progress reports economic agreement here we attempting develop reasonable workable basis at Bogotá<sup>4</sup> for future economic cooperation, stressing technical coop, private investments, self-help before seeking external financial aid, and use existing facilities for public financing economic development. Hab agreement must stand on its own and any agreements reached should not be conditional on any action at Bog. In fact, failure to reach agreement at Hab would probably create atmosphere in which mutually satisfactory economic action Bog made more difficult.

You may wish to demonstrate by record our Govt loans (example Chile) and other cooperative measures over 10 yrs that we in fact encouraged development and diversification; if this fails, our record at least clear and few strongly opposed countries would have to remain out ITO and not be allowed prevent general agreement otherwise.

It may also be helpful to call attention cautiously and informally to facts regarding Executive Branch proposal on procurement and fi-

<sup>1</sup> Albert F. Nufer, U.S. Ambassador to San Salvador and Political Advisor, U.S. Delegation.

<sup>2</sup> Paul C. Daniels, Director, Office of American Republic Affairs; and H. Gerald Smith, Special Assistant to the Director, Office of American Republic Affairs.

<sup>3</sup> The U.S. Delegation at Habana in telegram 783 (December 26), not printed, feared that the Latin American Delegates were working to prevent agreement on the International Trade Organization charter. The "theme of opposition repeated interminably is charter deliberately unfair to Latin countries and its sponsors seeking to prevent their economic development.

"Latins indifferent to European recovery and resent fact we are generally in agreement with Europeans on trade policy. . . . Latins regarding Habana as dress rehearsal for Bogotá. Have introduced many Bogotá proposals here." (560.AL/12-2647)

<sup>4</sup> For documentation regarding the Inter American Conference at Bogotá, see vol. ix, pp. 1 ff.

nancing of exports to Europe under ERP as made public with President's message to Congress December 19.<sup>5</sup> It should be stressed, of course, that this proposal is simply an Executive Branch position and can in no way commit Congress. Use of proposal for bargaining purposes at Hab is therefore not desirable. Understanding of these facts however should help to counteract indifference of other American countries to European recovery to which you refer. Detailed outline of ERP as presented to Congress airmailed you today.

The proposal may be summarized briefly as follows:

Both European recovery and continued prosperity of Western Hemisphere require solution to problem of financing export surplus to Western Europe of other American countries as well as United States. We expect other American countries to contribute to this financing. We recognize, however, that financial contribution which these countries can make is limited. Consequently, we have recommended to Congress expenditure of United States funds to finance exports from other American countries. Such funds would, of course, provide dollars to pay for imports from the United States. In view of large volume of exports called for from other American countries (including Canada) and limited ability of many of other countries to provide financing, dollar expenditures for this purpose should be substantial. Justification presented to Congress, covering the period April 1, 1948 through June 30, 1949, will be based on estimate of \$2.6 billion for this purpose. [Daniels and Smith.]

LOVETT

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<sup>5</sup> For text see *Public Papers of the Presidents: Harry S. Truman: 1947* (Washington: Government Printing Office, 1963), pp. 515-529.

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560.AL/12-3047

*Memorandum of Conversation, by Mr. Leonard Weiss of the Division  
of Commercial Policy*

CONFIDENTIAL

[WASHINGTON,] December 30, 1947.

Participants:

*Canada*

Mr. Hume Wrong, Canadian Ambassador  
Mr. John Deutsch, Director of Economic Relations,  
Department of Finance, Canada  
Mr. J. R. Murray, Second Secretary, Canadian  
Embassy  
Mr. G. R. Paterson, Commercial Secretary, Canadian  
Embassy

*State Department*

Mr. C. Tylor Wood, A-T

Mr. W. G. Brown, CP

Mr. E. Cale, IR

Mr. L. Weiss, CP

Mr. Andrew Foster, BC

*Department of Agriculture*

Mr. Leslie Wheeler

Mr. Robert Schwenger

This meeting was called at the initiative of the United States in order to resolve the differences in viewpoint between Canada and the United States regarding the subsidy provisions of the ITO Charter.

Mr. Brown summarized the subsidy amendment suggested by the American Delegation at Havana. This amendment would prohibit export subsidies on manufactured goods but would permit them on agricultural products. However, such export subsidies on agricultural products are not to be used to acquire a share of the market in the particular product in excess of the share prevailing in a previous representative period. If any export subsidization should cause or threaten serious prejudice to the interest of other members and consultation fails to result in a limitation of the subsidy so as to avoid such prejudice, the organization may authorize a complaining member to suspend the application to the subsidizing member of such obligations or concessions under the Charter as the organization determines to be appropriate. The foregoing provisions providing for historical shares of the market and for procedures for complaint and possible penalization in the event of serious prejudice to other members, would apply not only to export subsidies but to all types of subsidization, domestic or otherwise, affecting exports.

Mr. Deutsch thereupon presented Canada's position, including its objections to the subsidy amendment proposed by the United States. Firstly, he pointed out that whereas the United States was objecting to the present requirement in the Geneva Draft Charter for prior approval for the use of export subsidies, it was insisting on prior approval for the use of quantitative restrictions for economic development and in other instances. Canada shared the United States conviction for the necessity of prior approval with regard to "QR", and for the same reasons that it deemed prior approval desirable in this case, it also considered prior approval to be desirable in connection with export subsidies.

Secondly, he argued that the representative period formula suggested in the American amendment was vague, indefinite and

difficult to apply. He believed that the American subsidy proposal in fact gave no substantial protection against the use of export subsidies and their injurious consequences.

Thirdly, Mr. Deutsch argued that since export subsidies were less expensive and thus easier to apply than domestic subsidies, it was desirable that the Charter provisions on export subsidies should be tighter than those on domestic subsidies. He pointed out that the greater expensiveness resulting from the subsidization of the entire output of a particular commodity, as would be the case under a domestic subsidy, would serve as an effective restraining influence on the employment of such subsidies. Since an export subsidy involves payment only on the proportion which is exported and not on the total output, it is less expensive and hence there is not as effective a restraint to the use of such subsidies as there is in the case of domestic subsidies.

In reply, Mr. Wood and Mr. Wheeler pointed out that in general export subsidies in the United States are incidental to this country's agricultural price support program, and that the United States has not employed export subsidies, with possibly one exception or so, to acquire an undue share of the market. They emphasized the fact that the United States price support program has been ingrained in domestic legislation at least since the early 1930's and that the United States Congress could not accept any Charter which in practice might prohibit the use of export subsidies and impair the price support program. This was a hard, practical fact which could not be overlooked and which is crucial in the United States position regarding subsidies.

Issue was taken with Mr. Deutsch's contentions regarding the reasonableness of the present Charter distinction between domestic and export subsidies. It was argued that countries exporting the predominant proportion of a particular product, such as Canada in the case of wheat, would in effect be employing an export subsidy even though in form the subsidization was not applied directly on exports and would be considered "domestic" in terms of the Charter.

It was also argued that the subsidy amendment proposed by the United States should assure adequate protection to Canada as well as other countries against the injurious use of export subsidies. First, the United States formula offered a restraint by restricting export subsidies so that they would not result in shares of the market in excess of those prevailing in a previous representative period. Secondly, the formula afforded an additional restraint in that a price would have to be paid, namely the withdrawal with respect to an offending member of obligations or concessions under the Charter, if subsidies were used so as either to cause or threaten serious prejudice to other members of the organization.

Mr. Deutsch disputed the effectiveness of the safeguards afforded by the American formula and the United States contentions regarding the inequity of the present Charter distinction between domestic and export subsidies. He pointed out that although on a representative period basis the United States might be accorded a share of the market in a particular product, it might not be able to achieve such a share on the basis of comparative advantage,<sup>1</sup> a principle which, he noted, presumably underlies the objectives of the Charter. He recognized the political difficulties involved in the United States acceptance of the Geneva provisions on export subsidies. He pointed out, however, that Canada has comparable political problems and that the Charter now contains provisions which it would be very difficult to accept in his country. For example, although the Charter would permit quantitative restrictions on agricultural products, it would not permit them (subject, of course, to balance of payments and other similar exceptions) on manufactured products. He indicated that this distinction is of great concern to a country like Canada which is vitally dependent on markets abroad for its agricultural exports and which at the same time has manufacturing interests to consider.

Mr. Wood indicated his appreciation of the Canadian position but inquired whether it might not be possible to work out some formula which would adequately safeguard Canadian interests and at the same time permit acceptance of the Charter by the United States Congress. Mr. Deutsch, emphasizing that he was speaking off the cuff and was not making a firm proposal, inquired whether the United States would be agreeable to dropping all the subsidy provisions in the Geneva Draft except Article 25. In effect this suggestion would mean that the Charter provisions on subsidies would be identical with those in the General Agreement on Tariffs and Trade. Mr. Wheeler indicated that such a proposal would be acceptable to the Department of Agriculture. Mr. Brown stated that although we had not given previous consideration to such a suggestion, he felt that the United States would probably prefer to see the Charter retain some provisions on the order of our proposed amendment restricting the use of export subsidies rather than simply relying on the general consultative provisions of Article 25.

Mr. Brown inquired whether, in view of the fact that the Canadians seemed to be troubled by the distinction made in the United States subsidy amendment between export subsidies on primary products and those on manufactured goods, Canada might be agreeable to accepting subsidy provisions which would treat manufactured and non-manu-

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<sup>1</sup> According to this theory a country specializes in those products in which it achieves the greatest relative efficiency in production.



factured products on the same level. In other words, rather than prohibit outright export subsidies on manufactured goods, as the present United States amendment would do, Mr. Brown suggested that the representative period limitation now applicable in the United States amendment only to agricultural products be also applied to manufactured products, so that export subsidies on such products would be permitted if they did not result in a share of the market in excess of that prevailing in a previous representative period. If such subsidies on manufactured products caused or threatened serious prejudice, the procedure in the present United States amendment for withdrawal of obligations or concessions under the Charter would apply. Mr. Deutsch indicated that he would give this proposal consideration.

Mr. Deutsch made a further suggestion with a view to ensuring greater safeguards in the application of the representative period formula. He inquired whether the United States would be agreeable to accepting, in the event of disagreement regarding the appropriate representative period on which to base export shares, final determination by the organization. He felt that such a procedure would subject the selection of the representative period to a relatively impartial and objective party rather than to a particular interested country as would be the case under the present United States proposal. The State Department's representatives indicated that Mr. Deutsch's proposal seemed reasonable enough and appeared acceptable. Mr. Wheeler concurred for the Department of Agriculture.

Mr. Wood emphasized the necessity for trying to reach a reconciliation of views on this question. Mr. Deutsch stated that he was leaving for Ottawa on Thursday and would consider the various suggestions made at this meeting with his people as soon as he returned to Canada. He thought that he would be able to give us a definitive answer by Saturday. He stated that in the interim he would get in touch with Mr. Wilgress<sup>2</sup> in Habana regarding the question. We indicated that we would consult with Mr. Wilcox and others regarding the various suggestions made at this meeting.<sup>3</sup>

<sup>2</sup> Leolyn D. Wilgress, Head, Canadian Delegation at Habana.

<sup>3</sup> In reporting this conversation, the Department in telegram 762 to Habana, December 30, advised the United States Delegation that pending receipt of the Canadian Government's reaction, "we believe acceptance Organization determination representative period and elimination difference treatment between primary and manufactured products would be small price pay for Canadian acceptance our Habana draft." (560.AL/12-2347)

In telegram 9, January 3, the Department advised the delegation in Habana, that the Canadians had reluctantly accepted the general proposition that subsidies would be subject to ITO determination as to whether they were representative. (560.AL/1-348)

International Trade Files : Lot 57D284, Box 106

*The Acting Deputy Director of the Office of International Trade Policy (Brown) to William L. Clayton*

PRIVATE AND CONFIDENTIAL

WASHINGTON, December 30, 1947.

DEAR MR. CLAYTON: Supplementing my letter of yesterday,<sup>1</sup> the main issue which Clair [Wilcox] poses is which of three possible alternatives we should follow in connection with the conference. He thinks it unlikely that we will be able to get wide agreement on a Charter which is close enough to the Geneva draft to satisfy us. He outlines three alternatives: (1) to try to get 25 or 30 countries to agree to a strong and satisfactory Charter; (2) to get general agreement on some of the chapters and sections, and adjourn consideration of the balance to a definite later date; (3) to accept a "skeleton" Charter without substantive provisions which merely sets up a consultative body.

Clair feels that if the first course is followed, we should be in a position to get Congressional action at the 1948 session, and have at least a fifty-fifty chance that such action would be favorable. He suggests consultation with Senator Vandenberg on this point. He points out that to secure such action would require the maximum push from the Department at the very top, and hopes you will be able to talk to the Secretary and Under Secretary about it.

Clair thinks that if the second course were followed, we would not be too badly off, as we could hold the GATT countries (except possibly for 3 or 4 countries). Adjournment would mean, of course, that the Charter would not come to Congress until 1949. In this event, he feels it most important that we seek renewal of the Trade Agreements Act at the 1948 session.

My own conviction, of course, is that we ought to seek that renewal in any event, probably on a single-year basis, because if we do not, we will appear to other countries to have abandoned our policy of economic cooperation in the trade field and to have returned to the pre-Hull tariff policy, and will let down all our supporters in the United States. Public support is now stronger than it ever has been before, and I am sure that all we need to make that support effective is to give it leadership. If we do not, it will be dissipated.

I have called for more definite information as to what the "skeleton" ITO might look like, and we will have complete up-to-date information for you when you arrive on Friday. I am sending you this sketchy outline so that you can be thinking over the possibilities in the meanwhile.

Sincerely yours,

WINTHROP G. BROWN

<sup>1</sup> Not printed.

International Trade Files : Lot 57D284, Box 104

*Memorandum by the Economic Adviser, Office of International Trade Policy (Coppock) to the Acting Director of the Office of International Trade Policy (Brown)*<sup>1</sup>

[WASHINGTON,] December 30, 1947.

1. Developments at Habana require that we set out all the important considerations relevant to the determination of our course of action in the immediate future.

2. Failure of Habana to produce an ITO Charter would mean the end of the ITO project for the indefinite future. Probable consequences would be the following :

A. The United States would suffer a severe diplomatic set-back. The ITO project is the core of the post-war economic program which developed from the Atlantic Charter and the Lend-Lease agreements.

B. The United Nations would suffer a similar loss of prestige, particularly in the economic and social field. Establishment of the Preparatory Committee for the United Nations Conference on Trade and Employment was the first act of the Economic and Social Council, and many people think it has been the most important act of that Council.

C. The non-Russian world would be without a rudder in the international economic sea. Economic warfare, as depicted in Wilcox's speech of December 23, 1947 at Habana, would be the order of the day.<sup>2</sup>

D. The Russians would be in a position to make heavy propaganda use of the Habana failure and would be in a better position to bring other countries under their economic or political influence.

E. Capitalism, or free enterprise, would suffer a decided set-back, for although the Charter has been tailored to accomodate some state-trading, the Charter is the very embodiment of economic liberalism in the international realm, adapted to present-day conditions.

F. Government controls over our domestic economy would tend to increase.

G. Liberalism, and free institutions generally, would suffer a set-back because of the close affiliation of capitalistic economic arrangements and political and civil liberties.

H. Militarily, failure of the ITO project would mean a weakening rather than a strengthening of our position, for it would mean a weakening of the economic bonds between us and the other countries in the non-Russian world. The extent of this weakening is uncertain, but the directional influence is clear.

I. Economic life over much of the world would be much worse without the ITO, for international dealings would tend to be restricted. Discriminations would be rampant.

<sup>1</sup> A covering transmittal slip contains the following : "The attached memorandum addressed to Mr. Brown was prepared to facilitate consideration of the questions referred to the Department from the United States Delegation in Habana.

<sup>2</sup> For text see : Department of State *Bulletin*, January 11, 1948, pp. 39-42.

J. To whatever extent bad economic conditions contribute to war, the effect of ITO failure would be toward war rather than away from it.

K. The chances of the International Bank and the Monetary Fund performing their functions well and not losing their capital would be substantially reduced.

L. Collection of our foreign loans and investments would be considerably more difficult.

M. Other elements of our foreign economic policy, particularly the Trade Agreements Act, would suffer. Both the ITO and the Trade Agreements Act are devices for expanding trade and investment on a multilateral and non-discriminatory basis, and the failure of the broader project would almost certainly cast doubts on the narrower.

N. The present Administration, as well as many political figures in both parties, have a large stake in the ITO program. Failure at Habana would be used extensively in 1948 as evidence of Administration failure.

3. *Some kind of an ITO is a necessity.* The more closely it can conform to our wishes the better, but sufficient action must be taken to obtain some kind of an organization. Even a weak organization will give something to build on, and would forestall many of the undesirable consequences listed above.

4. There would seem to be only three main ways of achieving some degree of success in the face of threatened failure: (a) appeal to "principles", (b) offering of economic benefits not now otherwise in prospect, and (c) threatening various sanctions. It is my feeling that the appeal to "principles" has not been utilized as fully at Habana as it might be. Offering of economic benefits on a large scale is difficult under the circumstances, but offerings to the Latinos in connection with Bogotá, or in connection with the European Recovery Program, would seem to be the most fruitful. Threats have not been fully exploited, although the Wilcox speech of December 23 should have opened the eyes of some of the delegates. Apparently other countries just do not believe that the United States would use its economic power to drive hard and discriminatory bargains, in the absence of an international code. They apparently think we would behave in exemplary fashion, with certain exceptions (mainly agricultural), regardless of the existence of a code. Although such exemplary behavior might be attempted for a short while, I believe most close observers of American economics and politics would agree that it would give way to hard-boiled economic warfare.

It would seem appropriate for us to employ a balanced combination of all three methods: (a) stress "principles" more strongly than we have thus far, (b) hold out the possibility of special benefits (a reasonable expectation in light of history), and (c) paint the alternative to the ITO in such lurid colors that even the color-blind will see the light.

560.AL/1-148 : Telegram

*The Chargé in Cuba (Mallory) to the Secretary of State*

SECRET

HABANA, January 1, 1948—10 a. m.

1. For Clayton and Brown from Wilcox. Prospects negotiations Havana as follows:

*I. Issues*

(1) For Clayton and Brown from Wilcox. Prospects negotiations commodities.

(2) Probably negotiable without important changes: cartels, economic development, investment, tariffs, technical articles; state trading, special provisions, organization chapters except relations with nonmembers.

(3) No work done yet on subsidies, state trading, disputes nonmembers, Germany and Japan.

(4) Should be possible reach acceptable compromise on nonmembers.

(5) Defeat on subsidies could render charter unacceptable in US. Opposition of Canada this issue might prove fatal. Agreement between Washington and Ottawa should prevent defeat. Unlikely we could get US amendment adopted but should be able obtain compromise acceptable to US.

(6) One of two main issues of conference is QR for industrialization. Firm US stand prevented heavy vote against charter provisions. Cannot compromise on principle of prior approval but should be able to obtain majority with minor changes in text of Article 13.

(7) Opposition of Australia on fund determination balance of payments exception threatens loss of ground gained Geneva. This might be fatal in US. Could easily be defeated this issue. Will attempt prevent decision until Clayton can talk with Dedman.

(8) Other major issue is prior approval for new preferences. By splitting off regional groups might win general support from Arab states, from Central American states, but difficult to obtain concession there. If we went further would alienate British Commonwealth, Brazil. Have promised make no concession preferences without consulting them.

*II. Countries*

(1) Prepcom countries who generally support Geneva draft and would adhere GATT if Havana Conference failed: US, UK, Canada, South Africa, Australia, New Zealand, Southern Rhodesia, Belgium, Holland, Luxembourg, Norway, Brazil, Cuba.

(2) Prepcorn countries who support Geneva draft but say Havana charter prerequisite to adherence to GATT: France, Czechoslovakia.

(3) Non-Prepcorn UN countries generally supporting Geneva draft: Sweden, Denmark, Liberia.

(4) Non-UN countries supporting Geneva draft: Italy, Austria, Finland.

(5) UN countries probably supporting Geneva draft: Greece, Turkey, Philippines, Peru, Afghanistan.

(6) Prepcorn country probably opposing Havana chapter and unlikely to adhere to GATT without charter: Ceylon.

(7) UN countries probably opposing Havana charter: Argentina, Uruguay, Bolivia, Dominican Republic (opposes Cuban preferences), Poland (not vocal at conference).

(8) Non-UN country opposed to Havana charter: Switzerland.

(9) Prepcorn countries whose ultimate position on charter and adherence to GATT is uncertain: Chile, China, India, Burma, Pakistan. Opposition of Chile has softened this week. China remains an enigma. India will probably hold out for weak charter until last minute and then accept final draft; without charter, will probably adhere to GATT. Pakistan more cooperative than India. Also in this group: Lebanon, Syria.

(10) UN countries whose support could be purchased with concessions on regional preferences: Lebanon, Syria, Egypt, Iraq. Also Costa Rica, San Salvador, Guatemala, Nicaragua and perhaps Panama.

(11) UN countries whose final position remains doubtful: Mexico (continues difficult); Colombia (effective, may be reasonable); Venezuela (hostile); Ecuador (ignorant); Haiti (no evidence); Iran (opposes US on QR but might come around).

(12) Non-UN countries whose final position is uncertain: Ireland (speaks against US, but may accept draft); Portugal (no evidence).

III. Are 49 UN countries and altogether 59 countries at conference. Would need 25 UN countries or 30 at conference for majority. Foregoing report indicates negotiating possibilities on charter. Also likelihood strong nucleus could be retained in GATT if no charter obtained Habana. [Wilcox.]

MALLORY

International Trade Files: Lot 571284, Box 104

*Memorandum by the Acting Director, Office of International Trade Policy (Brown)*<sup>1</sup>

SECRET

[WASHINGTON,] January 5, 1948.

THE HABANA CONFERENCE, THE ITO CHARTER AND THE  
TRADE AGREEMENTS ACT

SUMMARY OF CONCLUSIONS REACHED IN CONVERSATIONS BETWEEN THE  
UNDER SECRETARY, THE COUNSELOR, ASSISTANT SECRETARY ARMOUR,  
MR. CLAYTON

It appears certain that it will be impossible to reach unanimous agreement at Habana on the kind of ITO Charter that we could accept. The alternatives open are:

1. To press for a really acceptable Charter with the adherence of 30 or more nations representing over 75 percent of world trade. This would probably take until March 1.
2. To get general agreement at Habana on the majority of the points in the Charter and adjourn to Geneva or New York in June to try to get general agreement on remaining issues. This could be done by February 1.
3. To agree at Habana on a Charter for a purely consultative ITO without substantive commitments. This could be done by February 1.

These alternatives and the questions (a) of how best to present the resulting Charter to the Congress, and (b) what action should be taken with respect to renewal of the Trade Agreements Act, were discussed by Mr. Clayton with the Under Secretary, the Counselor and Assistant Secretary Armour.

It was agreed:

1. That we should press for a strong and acceptable Charter, staying at Habana as long as necessary to get concurrence of a majority of the countries representing at least three quarters of world trade.
2. That it was unlikely that we could get Senate action on the Charter at this session, and that the chances of favorable action at this session were slim. However, before any definite decision was taken as to whether the Charter should be presented to the Senate at this session, further consultation should be had with Senator Vandenberg. It was felt important that if it were decided not to present the Charter at this session, the decision should be shared by him. Senator Barkley, Mr. Clifford, House Democrats and Mr. Biffle should also be consulted. It was felt, however, that such consultation should be deferred until Mr. Clayton's return on the 16th, as it would be almost impossible to

<sup>1</sup> An attached memorandum from Brown to Lovett, not printed, notes that the memorandum had been cleared by Clayton and Armour. The file copy was initialed by Under Secretary Lovett, and also bears the penned notation "noted GCM".

get any considered Congressional judgment in the first few days of the session.

3. In any event, the Department should plan to seek a renewal of the Trade Agreements Act at this session, probably for a year, and possibly with a gentlemen's agreement not to use it extensively or with a right to Congress to disapprove resulting agreements.<sup>2</sup>

House Democrats, Mr. Biffle and Mr. Clifford should be consulted as to timing and tactics, the main objectives being (a) to preserve the negotiating authority in the Executive, at least until the Charter were acted on by the Congress, and (b) to promote to the utmost favorable action on the Charter.

<sup>2</sup> For information on this matter, see *post*, pp. 948-949.

560.AL/1548

*Draft Telegram Prepared by the United States Delegation at Habana*<sup>1</sup>

SECRET

JANUARY 14, 1948.

USDel at Habana ITO Conference has submitted regular reports to effect that Latin American Dels have been most consistent and difficult source of opposition to negotiation of Charter approximating Geneva Draft and acceptable to US. On the other hand and despite tendency to support each other's amendments, Latin American "bloc", as such, does not appear to exist for attitudes and tactics of individual Dels cover wide area from general support Geneva Draft (e.g., Cuba and Brazil) to irreconcilable opposition (Argentina). On basis Del judgment and Dept's review situation appears that at discretion of Chief of Mission informal approach responsible officials Govt to which you are accredited might result in more flexible and possibly constructive attitudes on part (Bolivian) (Venezuelan) (Uruguayan) Del at Habana. Dept emphasizes, however, nature of your personal relations appropriate officials determining factor decision whether or not useful to approach Govt and line of most effective argument. Dept's view that approach, if made, should be general rather than specific. Following paragraphs are for Embassy's background information not necessarily for discussion:

I. *General*

a. There has been disconcerting absence interest in supporting US positions or suggestions. Absence particularly noticeable in view prac-

<sup>1</sup> Submitted under a covering letter by Albert Nufer, the Delegation's Political Adviser, to Assistant Secretary for Political Affairs, Armour. The draft telegram was a response to a suggestion made by Mr. Clayton, head of the delegation, that a circular telegram be sent to United States missions in Latin America to encourage those governments to take a more constructive attitude toward United States proposals at Habana.



tice Latin American Dels rushing to support one another even where issue is of no importance whatsoever country giving support. Out of meetings certain Delegates have indicated instructions from their Govts to support Latin American positions generally.

b. Accusations have been made that US has aligned itself with powerful industrialized and European nations against undeveloped Latin America. Support by US given Geneva Draft, along with majority other Prep Com countries, submitted as justification for this accusation. Difficult to see how US could take any line other than support of Geneva text for all Prep Com countries have reasonable obligation to do so (which Brazil and Cuba have done).

c. US disturbed by effect failure at Havana, or residue negotiating bitterness, might have on coming Bogotá Conference. Difficult to envision success at Bogotá if unable to reach agreement on rules for trade under ITO. Indeed, Bogotá agenda item on trade left open pending conclusion Habana meeting.

d. Habana haunted by resurgence extravagant claims ITO "violation national sovereignty" and insistence maintenance complete freedom national economic determination. US view that ITO without general principles with respect to proper trade practices, including, of course, reasonable escape clauses, would imply an international organization without authority which would not only be unacceptable to US Congress but unworthy of submission by Conference to world referendum.

e. Clear that many Latin American Dels want a Charter obligating US and industrialized countries but discriminatory in favor of economically undeveloped countries, permitting latter complete freedom of action. They have argued that Organization should look to equalizing of all economies.

f. It is evident that inadequate time was available to permit necessary governmental preparation between conclusion Geneva meeting and convening Conference at Habana. This unfortunately tight calendar due in part general realization ITO long delayed. To minimize difficulties thus caused non-Prep Com countries, US has constantly pressed for full consideration all amendments and thorough exposition all sections Charter.

g. Argentine tactics at the meeting relevant for background or use. Amendments submitted by Argentina substantially at variance basic concept of ITO and if accepted would imply international body which could only be termed "debating society". Argentine Del's committee work and official statements demonstrate little knowledge of content Geneva Charter. However, impact on meeting has been slight and support Argentine views from other Latin American Dels steadily diminishing. Generally accepted by most Dels Argentine goal is to prevent success Conf and organization ITO.

## II. *Specific Points*

(Note to Department. Following sections would be sent only to appropriate Embassy.)

### *a. Bolivia*

Following line of specific argument can be used if relations with appropriate Government official close and if climate proper. Dept does not necessarily recommend use of all these points and certainly not direct language.

Bolivia is represented by Ambassador to Cuba. There is no evidence any study of draft Charter prepared by the 18-nation Prep Com which included Cuba, Brazil and Chile. Utterly impossible one official, with other duties, to represent adequately interests his country at international Conf. US recognizes financial difficulties small countries in sending out Delegations to many international conferences. But beyond not having special representation, local Ambassador has appeared at meetings and has made violent speeches generally irrelevant to substance of Charter. When he occasionally speaks to issues it is in support of extreme Chilean or Argentine amendments (see *g* above).

Question posed is whether Bolivian interests actually served by their support of Argentina whose apparent objective is opposition to ITO project. Might be pointed out for Bolivian consideration that draft Geneva Charter generally supported by widely representative Prep Com. Considering that this Com included appropriate representation underdeveloped countries in situations similar to that of Bolivia it would seem to follow that Geneva Charter must contain substance beneficial to her.<sup>2</sup>

### *b. Uruguay*

Following line of specific argument can be used if relations with appropriate Government officials are close and climate proper. Dept does not necessarily recommend use of all these points and certainly not direct language.

Amendments submitted by Uruguay and her committee tactics, if successful, would result in ITO Charter entirely unacceptable to majority Prep Com countries and unrelated to organization contemplated when ITO program was launched years ago. While Uruguay has not followed docilely Argentine lead at Conf (see point *g* above) and Uruguayan amendments show independent analysis, net effect of her approach would be identical to apparent Argentine objective: opposition to whole ITO project.

<sup>2</sup> The above telegram was sent with no substantial change to Bolivia, as telegram 21 to La Paz, January 23, 1948. (560.AL/1-2348)

US sincerely at loss to understand motives guiding Uruguayan Del. US, having in mind traditional friendship US-Uruguay, latter's competitive position vis-à-vis Argentina, would assume that Uruguayan interests lie in creation of ITO not dissimilar in its broad aspects from Geneva Draft laboriously produced after one year's detailed inter-governmental consideration. Brazil, Chile, Cuba, as well as other underdeveloped countries in economic condition similar to that of Uruguay, participated in the Prep meetings. It would be logical to suppose that, unless overriding reasons to the contrary, Uruguay would tend to support Prep Com draft. US most interested in learning, therefore, objectives towards which Uruguayan Del at Habana is working.

For your personal information, Acting Chairman Farina has stated publicly ITO has little or nothing to offer Uruguay. There is also question whether Charlone's<sup>3</sup> attacks on Charter actually represent Government or only the industrialists. Julio Lacarte, formerly Uruguayan ForOff now Deputy UN Executive Secretary at Conf, has reiterated to US Del belief Uruguay will come around.<sup>4</sup>

*c. Venezuela*

Following line of specific argument can be used if relations with appropriate Government official are close and if climate proper. Dept does not necessarily recommend use of all these points and certainly not direct language.

Venezuelan Del tactics have been marked by steady though restrained opposition to draft Charter submitted by Prep Com. This Com of 18 nations spent approximately twelve months of continuous session in London, New York and Geneva preparing text now being debated at Habana. Prep Com was representative group including countries in economic position similar to that of Venezuela. At Habana, however, Venezuelan Del has generally supported extreme amendments which, if accepted, would result in ITO without body or substance and unrelated to organization contemplated in Geneva draft.

US Del sincerely interested in understanding reasoning behind position Venezuelan Del. Any information of background nature would be useful to US in working with Venezuela.<sup>5</sup>

<sup>3</sup> César Charlone, President of the Uruguayan Senate and head of the Uruguayan Delegation.

<sup>4</sup> The above telegram was sent with no substantial change to Uruguay, as telegram 10 to Montevideo, January 23; a copy was also sent to Argentina for information (560.AL/1-2348).

<sup>5</sup> The above telegram was sent to the Embassy in Venezuela, with no substantial change, as telegram 43 to Caracas, January 23, 1948. (560.AL/1-2348)

560.AL/1-2448: Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*SECRET      NIACT  
PRIORITY

HABANA, January 24, 1948—5 p. m.

101. For Brown and Hickerson from Wilcox.

1. Subcommittee consideration occupied areas amendment article 99 postponed twice over week, last time at our instance over strong objections Poles, Austrians. Meeting now scheduled 6 Monday evening 26th. Impracticable delay consideration further.

2. UK Delegation and French Delegation have no authority to agree to US amendment and will not support it.

3. If US delegation follows instruction Toito 355<sup>1</sup> to push ahead vigorously to obtain adherence provisions for occupied areas: (a) UK and France will openly oppose amendment in Subcommittee, (b) break between occupying powers will make headline story, (c) Poles obviously delighted our embarrassment, (d) our only support in Subcommittee would be Belgium, India and perhaps Denmark, Italy, Mexico; certain opposition UK, France, Czechoslovakia, Poland, China and probably Austria, Argentina, Uruguay, (e) amendment would be rejected.

4. Unless British and French governments send instructions their delegations here before 6 Monday evening to support US position US delegation has these alternatives:

(a) withdraw amendment, leaving status occupied areas ambiguous, (b) support amendment, committing other delegations to opposition, forcing break with UK, France and provoking unfavorable publicity, (c) propose alternate amendment inserting occupied areas article 68, paragraph 5 Geneva text.

Last course might delay decision and give time for Embassy London and Paris persuade British and French Foreign Ministers to instruct their delegations to support US position.

5. US delegation recommends (c). Should have instructions by Monday noon. If Department approves (c) should take steps get British and French Delegations instructed before Friday January 30.

6. Czechoslovakia will not accept original US amendment "at any stage." If amendment finally adopted with British-French support Czechoslovakia will not join ITO.<sup>2</sup> If Department still believes it desirable press this amendment, will immediately bring *issue to this*

<sup>1</sup> Not printed.

<sup>2</sup> In telegram Toito 355, January 23, not printed, the Department had advised the delegation that it tended to favor "inclusion of occupied areas in charter even if it meant loss Czech adherence but if issue comes to this point, decision would have to be cleared with Secretary or Undersecretary." (560.AL/1-2348)

point and should clear with Secretary or Undersecretary soonest. In this connection should consider that Czechoslovakia has given US vigorous and effective support throughout negotiations here and is obviously anxious to use adherence to ITO as means of retaining economic contacts with western powers. [Wilcox.]

NORWEB

560.AL/1-2748 : Telegram.

*The Ambassador in Cuba (Norweb) to the Secretary of State*

SECRET

HABANA, January 27, 1948—7 p. m.

110. For Brown from Wilcox.

1. Efforts being made by European countries to remove all limitations on discrimination by amending article 23 charter (article 14 GATT) as follows:

(a) In paragraphs 1(a) and 1(b) Czecho would change "substantial and widespread disequilibrium" to cover any case of disequilibrium between two countries.

(b) In paragraph (b) (I) Norway would delete rule against paying substantially higher prices. Belgium would delete requirement that excess must be progressively reduced.

(c) France, Belgium and Czechoslovakia have attacked paragraph (B) (II). Belgium would extend "gold or convertible currency" to include any "accumulated" currency. France would limit requirement of selling for convertible currency to amount of exports toward currency country in normal period. Czechoslovakia would eliminate paragraph entirely.

(d) Norway would declare all sales under long term contracts non-discriminatory if contracts not discriminatory on date when signed.

(e) France would postpone effective date of rules against discrimination to January 1949 or later date to be fixed by ITO (as in GATT). UK would postpone date to 1952.

(f) In paragraph 3(a) Denmark would delete date 1952 and let ITO fix date later.

2. Amendments referred to working party consisting originally of UK, France, Norway, Belgium, Czechoslovakia, and US, with later addition of Canada, Australia. US delegate originally considered refusing to serve on working party but decided refusal might be misinterpreted. Bronz,<sup>1</sup> under instructions, has declined consider making any changes in text. Holmes<sup>2</sup> and Philip repeatedly urging me to discuss modifications. Have refused to do so on grounds:

(a) Article is second drafted by European countries in own interest;

<sup>1</sup> George Bronz, Special Assistant to the General Counsel, U.S. Treasury Department, Technical Advisor to the U.S. Delegation.

<sup>2</sup> Stephen L. Holmes, Second Secretary, British Board of Trade, Member of the British Delegation.

(b) Article merely contemplates gradual return to multilateralism;

(c) Purpose of seeking further modification apparently is to tie European trade up in permanent bilateral barter deals;

(d) Broader escape for Europe would weaken resistance to numerous other escapes proposed by non-European countries here;

(e) Further recession by US would be unacceptable American opinion;

(f) Would undercut arguments by Marshall and Clayton in support of Marshall plan; and

(g) Would provide argument for foes of Marshall plan and imperil its enactment.

### 3. Possible concessions by US would be:

(a) Addition of paragraph along lines of article 14 paragraph six of GATT as proposed in French amendment. UK would probably settle for this;

(b) Substitute London and New York text<sup>3</sup> for Geneva text. France and Czechoslovakia desire this;

(c) Reword (b) (II) to retain as much as possible of substance. Would involve difficult negotiation but might ultimately get draft acceptable to US and French.

4. French or British may approach Department insisting further latitude discrimination and arguing free hand bilateralism essential to Marshall plan. Important Department keep delegation fully informed and give no indication willingness make any concessions without advance warning to delegation.

5. Please send all available ammunition for use in discussions here, including relevant Congressional questions addressed to Marshall Plan witnesses.

6. Please discuss with Fields, Gunter,<sup>4</sup> Luthringer and explain position to Clayton who is returning Habana Wednesday February 3. Would appreciate advice concerning strategy to be followed pending his return. Will continue refuse consider any real concession unless instructed otherwise. [Wilcox.]

NORWEB

<sup>3</sup> Reference here is to the ITO Charter text prepared at the First Session of the Preparatory Committee of the United Nations Conference on Trade and Employment, held in London from October 15 to November 26, 1946, and to that prepared by the Drafting Committee, meeting in New York from January 20 to February 25, 1947. See footnote 2, p. 802.

<sup>4</sup> Morris Fields, Chief, Commercial Policy Section, Office of International Finance, U.S. Treasury Department; and John Gunter, U.S. Treasury Department.

560.AL/1-2848: Telegram

*The Ambassador in Uruguay (Briggs) to the Secretary of State*

SECRET

MONTEVIDEO, January 28, 1948—6 p. m.

27. Embtel 24, January 26. Minister of Industry Farina spoke at length and with apparent frankness regarding Habana Conference problems. At outset he brought up Wilcox speech December 23, declaring it had been widely interpreted by Latinos as threat on part US and hence not well received. In fact Minister attributed many of our subsequent difficulties to that statement and alleged "unfriendly way in which delivered". I thereupon produced speech and said that while unable comment on circumstances delivery I thought that by pointing out so plainly effects of indiscriminate economic warfare, statement should have and I hoped had cleared air. Minister reiterated speech widely interpreted by Latinos as US threat and hence responsible for galvanizing their opposition. He also was somewhat critical alleged tactical errors our delegation in dealing Latin American delegates declaring in effect we had gone about selling our bill of goods in wrong way. Problem of industrial countries versus "undeveloped countries" debated and Minister admitted that on record our government has certainly shown no lack sympathetic interest problems other American Republics. He also volunteered that Uruguay would be unjustified adopting position "all industrialization is good" but should concentrate on processing products such as wool, leather and linseed available this country. It should be noted that President of Uruguay apparently not in agreement this thesis (please see Embassy despatch 20, December 18).<sup>1</sup>

Farina expressed opinion that in spite technical nature Charter and economic matters related thereto, conference really political meeting and should have been so understood by our government, that is, we should have more delegates cognizant inter-American political relations and accustomed dealing Latinos. (He spoke in very friendly terms of Nufer.)

Finally and notwithstanding foregoing observations Minister said he understood conference now making better progress and expressed confidence agreement would eventually be reached as well as recognition importance not having meeting end in failure. His only concrete suggestion in that connection was possibility of deferring entry into effect of Charter for specified number of years or "until end postwar transition period".

Luncheon private attended only by Commercial Attaché Wolf, Eduardo Marques Castro (head unofficial organization Uruguay

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<sup>1</sup> Not printed.

businessmen interested expanding trade with US) and myself. Farina asked that his comments be considered personal and off record. For that reason and because nature Minister's criticism cable sent Department only.

Farina impressed me favorably in that he seemed genuinely well-disposed and to be making sincere effort explain reasons for conference difficulties with Latin American delegations. While some of complaints cited seemed rather trivial (for example, he said our pressure tactics seeking to hold sessions on New Year's day had incensed Latinos) nevertheless if Farina's views as widely shared as he asserts, his comments may assist Department in evaluating present situation, as well as explaining somewhat hostile tone statements emanating in recent weeks from other American Republics.

BRIGGS

560.AL/1-2848 : Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*

SECRET

HABANA, January 28, 1948—7 p. m.

118. For Brown and Treasury from Wilcox and Bronz. In connection with our 110, January 27 we request advice on assuming offensive on Article 23 by proposing new provision forbidding discrimination based on inconvertible currency held for more than say one year.

We have heretofore relied upon Section 10 (II) of Anglo-American financial agreement<sup>1</sup> to protect US against trade discrimination based on accumulated sterling balances. If this provision does not stand up, we would be left with Charter Article which is not an adequate safeguard. If Britain keeps sterling inconvertible indefinitely, that fact alone might well constitute the widespread disequilibrium required under Article 23 and it would thereby be possible for holders of accumulated sterling balances, with ITO approval, to give British goods preference indefinitely.

Immediate advice essential because of late stage of negotiations. [Wilcox and Bronz.]

NORWEB

<sup>1</sup> TIAS No. 1545 or 61 Stat. (part 2) 1841.

560.AL/1-3048 : Telegram

*The Secretary of State to the Embassy in Cuba*

CONFIDENTIAL

WASHINGTON, January 30, 1948—1 p. m.

132. Personal for Wilcox from Brown. Have received direct question from French and British Embs whether we expect obtain Con-



gressional action Charter this session and whether Administration will request action this session. Have replied that because delay completion Charter Habana beyond first February and unanticipatedly slow progress Marshall plan, believe most unlikely Congress will act this session. Decision Administration present Charter will depend situation Congress at end Habana conference and character Charter which emerges. [Brown.]

MARSHALL

560.AL/1-3048: Telegram

*The Secretary of State to the Embassy in France*

SECRET

WASHINGTON, January 30, 1948—3 p. m.

296. For Caffery. USDel Habana has proposed amendment ITO Charter whereby occupying powers in their conduct trade Western Zones Germany would be subject obligations and entitled benefits Charter, including most-favored-nation tariff treatment. UK and French Dels oppose. Dept attaches major importance this amendment as part policy integration Germany economy Europe. Congress and public here will not be able understand refusal French and British undertake now in ITO charter give trade occupied zones most-favored-nation treatment especially in view Marshall plan and fact. US carries major burden administration zones.

Dept. is pressing French and British Embassies here urgently for second time obtain reversal their govts. position. They have already refused once. Dept. does not insist exact wording USDel amendment and would be willing leave exact terms full admission zones ITO for later determination but does insist commitment now that ITO members will not discriminate against trade zones when ITO established. This is clearly to advantage French and British zones as well as US zone.

French will contend this position may prevent Czechs and Poles from joining ITO. Dept. recognizes this risk but is willing accept it.

Please convey these views urgently French Govt and urge its support US position Habana.<sup>1</sup>

MARSHALL

<sup>1</sup> On February 1 in telegram 567 Paris, not printed, Ambassador Caffery reported that he had conveyed the Department's views to Hervé Alphand, Director of the Economic Section of the French Ministry of Foreign Affairs. The initial French response was deemed unsatisfactory, and the Ambassador reported in telegram 659 from Paris, not printed, that he had met with Foreign Minister Bidault on February 5, to discuss the Department's position. The French had not come to accept the United States view, but, upon the Ambassador's urging, agreed to reconsider the matter. Caffery added that "I am not at all certain how far such modifications as he may make will go towards meeting our view." (560.AL/2-148 and 2-548)

560.AL/2-148: Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*

SECRET US URGENT

HABANA, February 1, 1948—8 p. m.

133. For Clayton from Wilcox. Expecting you Wednesday morning. Hope you can remain several days. Need your advice and help on major issues still pending:

1. Can probably win decision against QR for protection (Article 20 and 13) but must persuade or defeat Uruguay, Venezuela and Chile.
2. Can probably secure adoption acceptable provisions on new preferences customs unions free trade areas (Article 15 and 42) but must defeat Venezuela and Chile, persuade countries of Central America and Middle East and work out relation to Marshall Plan with British and French.
3. Must defeat efforts of European countries to remove or postpone limits on discrimination (Article 23) and reject French contention that freedom to discriminate is necessitated by Marshall Plan. British are opposing US on subsidies in order to improve their bargaining power on discrimination.
4. Must deal with efforts by Uruguay, Venezuela, Greece, Swiss to establish additional justifications and escapes for QR. Greeks would use import quotas to force exports of tobacco in bilateral deals; otherwise cannot accept Charter; our economic and political support of Greece gives problem special significance. British and French propose to let Swiss join ITO (International Trade Organization) without assuming any obligations until 1952; Swiss unlikely to accept Charter on any other basis; believe you should talk with Stucki<sup>1</sup> before we turn them down.
5. Have made no progress on relations with non-members (Article 93). Even if we ignore Czechs, will be difficult to get acceptable provision from Swedes, Poles, French, others.
6. British continue to be obstructive on Germany and Japan. To get acceptable provisions must override Poles and Czechs and put real pressure on British, French and Chinese.

All foregoing questions are now pointed up for quick decisions when issues are forced. All other Charter questions are closed or have answers clearly in sight. With your help, should be able to terminate conference between February 15 and February 20. [Wilcox.]

NORWEB

<sup>1</sup> Walter Stucki, Delegate of the Swiss Federal Council for Special Missions, Vice President of the General Committee at the Habana Conference.

International Trade Files : Lot 57D284, Box 106

*Memorandum by the Vice Chairman of the United States Delegation (Wilcox) to the Chairman of the United States Delegation (Clayton)*

HABANA, February 3, 1948.

This memorandum deals only with the French proposals for amending Article 23. These proposals do not constitute our only problem on Article 23, because there are equally important amendments proposed by the UK, Belgium, Czechoslovakia, Norway, Denmark and Italy, all of which seem to have attracted a fair to considerable amount of support from the other European countries, plus amendments by Mexico and Syria-Lebanon which are still pending. The Subcommittee has rejected amendments by Argentina and Uruguay to this Article. Thus, any decision on the French points will not settle the question of this Article. All of the other proposals still pending would make serious breaches in multilateralism in favor of bilateralism.<sup>1</sup>

The two French amendments deal with what have come to be known popularly as "Little Two" and the "GATT Clause". They will be discussed in turn.

#### I. "Little Two"

Article 23, paragraph 1(b) (ii), known as "Little Two", provides that discriminatory import restrictions may be used under certain conditions, provided that:

"the Member taking such action does not do so as part of any arrangement by which the gold or convertible currency which the Member currently receives directly or indirectly from its exports to other Members not party to the arrangement is appreciably reduced below the level it could otherwise have been reasonably expected to attain."

The first French attack on this provision consisted of a prepared statement in the Subcommittee (restricted document not issued to the press) arguing that this clause would permit the U.S., because of its financial position, to corner the world's markets in important commodities either for military strategic reasons or for monopolistic purposes. It could be used for "unjustified profits" and "to acquire a powerful instrument for political domination." In addition, they said the clause would prevent effective European cooperation as contemplated by the Marshall Plan and would give the U.S. an immoral

<sup>1</sup> Article 23 was intended to define the exceptions to the rule of nondiscrimination permissible to ITO members during the postwar transitional period. The Article 23 question was handled by Working Party 2 of Subcommittee F of Conference Committee III; the records of the committees of the conference are in Lot 57D284, Boxes 101-103.

monopoly of the opportunity to help its neighbors. Despite repeated explanations both in Subcommittee and in private, pointing out that the provisions could not in any way have that effect, the French have persistently reverted to this theme.

In order to avoid political misrepresentation of the provision, such as the French have resorted to, we have redrafted "Little Two" in four different ways and offered the French their choice. These new drafts avoid reference to gold and convertible currencies, thus taking the finger off the United States, but do not change the substance of "Little Two". The four versions we have offered the French are attached as Exhibit A.<sup>2</sup>

The French formally submitted an amendment which would change this clause into simply a guarantee that France would provide the U.S. with its pre-war share of French exports. Later the French and British jointly submitted a redraft which is so obscure and qualified as to extract all real meaning from "Little Two". These two proposals are attached as Exhibit B.<sup>2</sup>

The practical effect of "Little Two" which we have insisted upon in all of our redrafts is that bilateral agreements must not involve readily saleable commodities in good demand. Through our long discussions at Geneva, the justification offered by the European countries for bilateral trade arrangements was based purely on examples of unsaleable luxuries which cannot be disposed of in the open market because of austerity policies. Whatever justification there may be for limited and temporary permission for discriminatory bilateral agreements covering such commodities, there can be no justification for bilateralism applicable to coal, steel, heavy chemicals, timber, etc., which can be freely sold either on a competitive price basis or in accordance with international allocations for which adequate provision appears in the Charter (Article 43).

The French and the British would like to continue making bilateral trade agreements covering the whole field of their trade with the countries involved. By lumping together perfumes and steel in an overall bilateral agreement, it will be difficult for the ITO ever to point to any particular discrimination and condemn it. The net result would likely be that bilateralism would continue to constitute the whole basis of European trade, and multilateralism will be only a constantly receding hope. If the exportable surpluses of such commodities as coal, steel, chemicals, and timber, which are expected to appear in a number of European countries within the coming year are taken out of the field of bilateralism, we will have a real step toward the multilateralism which we have always said is the main aim of the ITO Charter.

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<sup>2</sup> Not printed.

The French argue that the Marshall Plan could not be carried out except through comprehensive bilateralism. They make this statement in the face of the report of the CEEC, which states that multilateralism is the aim of the ERP, and that it should supersede bilateralism during the progress of the ERP itself. If some break is not made in the near future, we may have lost our last real opportunity to get Europe started on the road to multilateralism.

## II. *The GATT Clause*

You will recall that you agreed with Sir Stafford Cripps in Paris last July that there should be a one-year breathing spell, giving the UK a free hand on discrimination. What Cripps and you had in mind was that within the year we would know whether or not there would be a Marshall Plan.

On the day when Articles 21, 23 and 24 were scheduled for final action in Geneva, Baraduc of the French Delegation came to me and said France could not accept these Articles unless it were given a one-year breathing spell on discrimination. Apparently, the French did not know of the agreement you had already made with Cripps, else they would not have bargained for what you already promised Cripps. I agreed to the French conditions and at the French request, embodied the agreement in a written memorandum initialed by Baraduc and myself. This memorandum was vague on the length of the free period for discrimination but said explicitly that the agreement related only to the GATT and not the Charter. The same afternoon the British and French participated in the meeting at Geneva and joined in approving the text of Article 23 without any provision for a free period of discrimination.

Subsequently, in negotiating GATT, we went further than your agreement with Cripps and my agreement with Baraduc. The GATT provision covered almost one and one-half years (against the one-year we had earlier talked about), giving complete freedom for discrimination to January 1, 1949. In addition, the GATT went on:

"provided that this period may with the concurrence of the *contracting parties* be extended for such further periods as they may specify in respect of any contracting party whose supply of convertible currencies is inadequate to enable it to apply the above-mentioned provisions".

We agreed to this clause in contemplation of the fact that our understandings with the British and French explicitly excluded any free period for discrimination in the Charter itself. However, it is true that under the terms of the GATT a country could refuse to sign the Charter and hold to this GATT provision. GATT is binding until

January 1, 1951, after which any country can drop out on six months' notice.

The British have proposed to us, but not in any formal amendment submitted to the Conference, that the date January 1, 1949 be changed to March 1, 1952. This obviously goes far beyond what Cripps asked for in Paris, and will carry the free period on discrimination to approximately the end rather than the beginning of the Marshall Plan. The French have simply asked to write the GATT provision into the Charter, which would mean that the proviso for the extension of the free discrimination period would permit the ITO to authorize unlimited discrimination forever for particular countries, which, by the process of log-rolling, might turn out to be everybody but the U.S.

I do not think we should agree to either of these proposals. I do not think it will be any easier for the European countries to make a first partial break away from discrimination in 1950 or 1951 or 1952 than it will be in 1949. Quite the contrary. The longer they continue with bilateralism the harder it will be ever to get them away from it. The proviso clause is extremely dangerous under a voting procedure where a majority of the votes will be cast by countries which have been engaged in bilateral trade.

If we have to make any concessions at all, I think the most easily defensible one would be an acceptance of the GATT clause with the January 1, 1949 date, but with the proviso clause limited to January 1, 1951, which is the period for which we may be said to have committed ourselves in the GATT. We are under no obligation to either the British or French to do this, and we have an explicit memorandum with the French covering the point. But it would be the easiest concession to justify in Congress because this memorandum is not public.

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International Trade Files : Lot 57D284, Box 106

*Memorandum by the Vice Chairman of the United States Delegation (Wilcox) to the Chairman of the United States Delegation (Clayton)*

[HABANA,] February 4, 1948.

(1) At the outset of the Conference, as a result of your intervention in Washington, the United States permitted Mexico to increase its tariff by converting specific to *ad valorem* rates thus increasing their restrictions against U.S. imports without giving us any *quid pro quo*.

(2) At the same time, the United States agreed to enter into negotiations under the trade agreement after the Havana Conference, under which Mexico might be permitted to make further increases in these and other tariff rates.

(3) The Mexicans told us, at your second luncheon for Beteta,<sup>1</sup> that their only real concern in the Charter was with the provisions dealing with tariff negotiations: Article 17, on tariffs and preferences; Article 13, the escape clause for economic development; and Article 81, dealing with the composition and operation of the Tariff Committee. They said that they had no interest whatsoever in Q.R. and were not opposed to our position on prior approval for Q.R.

(4) Following a series of direct negotiations between the United States and Mexican Delegations, we have agreed to a revision of Article 17 which was accepted by the Mexican Delegation as completely satisfactory to them.

(5) We also have agreed to a revision of those parts of Article 13 which have to do with releases from commitments in trade agreements, and this revision has also been accepted by the Mexicans as completely satisfactory to them.

(6) We had worked out in cooperation with the Mexicans a proposal which substantially modifies the provisions concerning the Tariff Committee and gives them the Economic Development Committee which they had sought. This proposal was agreed upon and submitted by Australia, Mexico, and the United States.

(7) We have undertaken successfully to meet the Mexican position on a number of other points which they had said were of less vital importance to them.

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In spite of the fact that we have gone one-hundred percent of the way to satisfy the Mexicans on everything they said they regarded as fundamentally important, they are now vigorously opposing us.

Their representative in the committee dealing with prior approval on release from Charter obligations (Q.R.) is now fighting for Q.R. and against prior approval.

They have now stated that they are in no way committed to the joint paper on the Tariff Committee and the Economic Development Committee which they worked out in collaboration with the Australians and the United States.

In a recent meeting of the Heads of Delegations, Mr. Beteta took the position that no issues on which agreement had been reached during the past two months were to be regarded as closed, that all agreements could be reopened by the new Coordinating Committee, and, finally, that adoption by this Conference of a Charter that was acceptable to a majority of the countries here would mean that the countries of Latin America could not accept it. Later on he contended

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<sup>1</sup> Raymon Beteta, Head of the Mexican Delegation.

that no Charter should be adopted here unless agreement on it was unanimous. In this he is simply parroting the position repeatedly taken by Charlone, of Uruguay.

This radical alteration in the Mexican position follows the return of Beteta from a long stay in Mexico City.

You should have a frank talk with Beteta about the present basis of our relations. You should keep in mind the fact that we can withdraw our agreement to every concession that we have so far made to them. You should also keep in mind the fact that negotiations for further modification of the trade agreement in their interest await the termination of the Havana Conference.

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International Trade Files : Lot 57D284, Box 104

*The Political Adviser, United States Delegation (Nufer) to the  
Director of the Office of American Republic Affairs (Daniels)*

CONFIDENTIAL

HABANA, February 4, 1948.

DEAR PAUL: I am enclosing a copy of a statement signed by sixteen Latin American countries proposing the appointment of a coordinating group for the purpose of seeking "harmonious solutions" of the several problems still confronting the Conference.<sup>1</sup> Sr. César Charlone, President of the Uruguayan Delegation, read the statement at the Heads of Delegations meeting on January 31, 1948.

We had been informed of the Latinos plans several days before the meeting by Sr. Braga, the head of the Brazilian Delegation, who also furnished us with a confidential advance copy of the statement. The statement is not too objectionable and differs widely from the original version drafted by Charlone himself which was much more provocative. It was toned down at the request of the Brazilian, Colombian, Peruvian and other more moderate Latin American delegates who refused to go along with the Charlone draft. Charlone, incidentally, was the author of the plan. In view of his open opposition to some of the basic principles of the Charter it does not seem improbable that he conceived it in the hope that it would be rejected and that this would afford him an opportunity to convince his Latin American colleagues that the U.S. and other industrialized nations were definitely opposed to the "just aspirations" of the underdeveloped countries in general and of our good neighbors in particular.

While we realized that the establishment of the proposed coordinating group was undesirable in view of the danger that its "conciliatory

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<sup>1</sup> This conference document is not printed here.



efforts", no matter how conducted, might interfere with the work of the Committees and Subcommittees, Gerry Smith<sup>2</sup> and I strongly recommended that we not oppose the Latinos on this issue, as we felt that if we did so it would create a difficult and unfavorable atmosphere which Uruguay, Argentina and perhaps others would make every effort to exploit in their favor.

It was therefore decided to go along with the Latinos and at the January 31 meeting, after Charlone had read the attached statement and the several Committee heads had reported on the progress of the work to date, Mr. Wilcox took the floor and supported the proposal, moving that the General Committee proceed forthwith to set up the proposed group, deciding upon its composition, points of reference, etc., etc. A copy of Mr. Wilcox's statement is also enclosed.<sup>3</sup> Our support came as a complete surprise to most of the Latinos and it was quite obvious that the wind was taken out of the sails of Charlone and some of his friends who, I am informed, had prepared lengthy and impassioned speeches in favor of their proposal.

Our gesture has, I believe, had a very favorable effect on those of the Latin American Delegations which, while not always seeing eye to eye with us on the outstanding issues, are trying to harmonize conflicting viewpoints and to bring the Conference to an early and successful conclusion.

Gerry Smith just told me that he had intended to write you regarding the above developments so that you may consider this letter as coming from both of us. Incidentally, Gerry is a very welcome addition to the Delegation. His presence in Havana will not only give him a good deal of valuable background for the Bogotá Conference, but should be very helpful to us in our efforts to keep our relations with the Latin American Delegations on as even a keel as possible.

With kindest regards and best wishes, believe me.

Sincerely yours,

ALBERT F. NUFER

*P.S.* There is also enclosed a report of the recommendations of the General Committee regarding the composition and functions of the Coordinating Committee which will be submitted to the Heads of Delegations meeting on February 4.<sup>4</sup>

<sup>2</sup> H. Gerald Smith, Special Assistant to the Director of the Office of American Republic Affairs had recently arrived in Habana to aid the United States delegation.

<sup>3</sup> Not printed.

<sup>4</sup> This conference document is not printed here.

560.AL/2-548: Telegram

*The Secretary of State to the Embassy in Brazil*

CONFIDENTIAL

WASHINGTON, February 5, 1948—7 p. m.

105. 1. US Del at ITO Conference Habana encountering difficulties with Brazilian Del re subsidy provisions ITO Charter. Brazilians proposing provisions which would prevent a country from using export subsidy if ITO should find that trade of country using export subsidy would not be seriously prejudiced if it were not permitted to use such subsidy.

2. This provision not acceptable to US. There is no prospect of US Congress accepting Charter which would subject to ITO approval, as Brazilian proposal in effect does, right US to use export subsidies. Member Brazilian Del advised US Del confidentially he would agree dropping their proposal but states difficulty is in Rio, which is unmoved by view its Del Habana, and suggests we take matter up in Rio.

3. Subsidy provisions now being considered Habana more favorable to Brazil than subsidy provisions in Geneva Draft ITO Charter. Under provisions being considered Habana Art 28 Geneva Draft has been broadened so as to limit all types subsidies affecting exports, not merely subsidies directly on exports. Present redraft Art 28, designed in part to meet Brazilian points, would prevent any subsidy from being used to acquire more than equitable share of market. Geneva draft would leave loophole under Art 26, para 2 for US use processing taxes to, in effect, subsidize exports, and such subsidization would not in any way be limited. Redraft proposed Habana therefore definitely more desirable from Brazilian viewpoint because it would limit use of processing-tax subsidies in same way as straight export subsidies.

4. If Emb perceives no objection, request you discuss this matter informally along foregoing lines with appropriate officials Brazilian govt with view persuading latter to instruct its Del at Habana to drop its provision described in para 1 above. Dept appreciates Brazilian sensitivity re use US cotton export subsidy in past and that raising issue subsidy provisions Charter may only irritate Brazilians without securing any change in their position. Dept leaves Emb's discretion whether raising Habana question is appropriate and likely yield fruitful results. Since question now under discussion at Habana, essential any action taken be prompt as possible. Pls report Dept and repeat reply to Habana.

MARSHALL

International Trade Files: Lot 57D284, Box 106

*Memorandum by the Political Adviser to the United States Delegation  
(Nufer)*

SECRET

HABANA, February 6, 1948.

If I interpreted correctly the sense of this morning's Delegation meeting, it was that in view of the intransigent attitude of the majority of the Latin American Delegations with respect to QR and the seeming futility of our trying to convince them of the error of their ways by making concessions to them on other issues, the time is approaching when our Delegation will have to make a definite and unequivocal statement regarding our position, even at the risk of an open break with the Latinos.

I sympathize fully with the feelings of the Delegation in this respect and I have the greatest admiration for the infinite tact and patience which all the Delegates have shown during the long weeks of the Conference in trying to induce the Latinos to recede from their position and to adopt a more constructive attitude towards the Charter. I realize; moreover, that the time may come when a showdown may be unavoidable but I would like strongly to recommend that any such action be postponed until we have explored every possibility of reaching some agreement with the Latinos on QRs without receding from our position with regard to prior approval.

Despite the arguments advanced this morning, I wonder if it would not be possible to establish some mutually acceptable criteria under Article 13 which would govern the decisions of the Conference in passing on applications from Member countries to use QR for development purposes and whether it would not also be possible to establish some time limit within which the Organization would have to hand down its decisions with regard to such applications. I understand that Article 13 is now being discussed by a Subcommittee or Working Party and that Mr. Fowler<sup>1</sup> believes that the procedure with regard to QRs can be streamlined and made more acceptable (or perhaps it would be better to say less unacceptable) to the Latin Americans. I also personally feel that our position vis-à-vis the Latin American Delegations would be much strengthened if we could amend Chapter 20, paragraph 2, item (e), so as to make it applicable to industrial products as well as agricultural and fisheries products. The Latinos have argued time and again that, while we reserve the right under certain specified conditions to use QRs without prior approval on agricultural and fisheries products, we refuse to make this extensive to industrial products and that as they are primarily exporters of agricultural

<sup>1</sup> William A. Fowler, a United States Treasury specialist.

products and importers of industrial products, it places them in a disadvantageous position.

If we can establish some acceptable criteria under Article 13 (without sacrificing the principle of prior approval on QRs) and meet the Latinos views on Article 20, it *might* prevent an open break and if in spite of our efforts along these lines, a break should occur, our position would, I feel, be stronger than it is at present. I am frankly much concerned over the possibility of such a break for several reasons, among which (in addition to the rift in hemispheric solidarity and the possible effects thereof on the Bogotá Conference) are the following:

1) In the event we force a showdown it seems at best doubtful that our views on QR will prevail and that we will not be voted down. It does not seem impossible that if the Latin American countries, the Arab League, China, Ceylon and others line up against us, that they will be able to muster a majority. Should such a contingency arise, we would be forced into the position of either accepting this decision or of refusing to abide by the majority rule.

2) An open break with the Latinos, on the other hand, would have far-reaching political consequences in the Western Hemisphere. Also, it would inevitably be exploited by the Soviet Union and by the Communist groups and opposition parties in the several Latin American countries, as well as in other parts of the world. They would endeavor by every means at their disposal to convince the peoples of those countries and the world at large that the Conference failed because the "Capitalist" powers in general and the U.S. in particular had tried to force their views upon the small underdeveloped countries in order to keep them in a semi-colonial state and to prevent them from industrializing. I believe, unfortunately, that such a campaign would win a lot of followers among the peoples of Latin America, who, despite all we have done for them during the last fifteen years, still have a lurking suspicion in their minds of the *bona fides* of our intentions toward them.

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560.AL/2-648: Telegram

*The Secretary of State to the Embassy in Cuba*

SECRET

WASHINGTON, February 6, 1948—7 p. m.

176. From State and Treasury to Wilcox and Bronz. Pls send following informal memo from Wilcox to Holmes (urtel 140 Feb 2):<sup>1</sup>

My Govt has requested me to call to your attention that there may be questions of interpretation and implementation of Art 23 of the Charter which involve Section 10 of the Anglo-American Financial Agreement. It is the desire of my Govt that no attempt be made to resolve these questions at this time but rather to discuss them with representatives of your Govt at an appropriate time. Accordingly any

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<sup>1</sup> Not printed.

conclusions reached at this Conference with respect to Art 23 will of course be without prejudice to Section 10 of the Anglo-American Financial Agreement. [State and Treasury.]

MARSHALL

560.AL/2-748: Telegram

*The Secretary of State to the Embassy in Cuba*

CONFIDENTIAL

WASHINGTON, February 7, 1948—4 p. m.

180. For Clayton. French Govt reply to our representations relating to the amendment to Art. 99 of ITO Charter was received this morning by note from French Emb.<sup>1</sup> French Govt. has taken position that it is not possible to accept immediate extension of Chapter 3 of the Charter to Germany but is prepared to agree after a period of trial that Germany might enjoy nondiscriminatory treatment. The note states that French Delegation in Habana has pointed out that only the occupying powers are in a position to determine whether the obligations which they have taken or will take in regard to Germany are consistent with other obligations and that consequently the Conference is not in a position to deal with the questions raised by American amendment because it is unable to decide whether acceptance of this amendment would raise questions incompatible with other international undertakings. For this reason French Delegation proposed to transform US amendment into a conference resolution wherein the hope would be expressed that the occupying powers responsible for the economic policy of Germany would inform the ITO organization as soon as possible of the decisions taken in this respect. The note continues that French Foreign Minister has already pointed out that France is unable to accept any procedure which would involve discussion of the future of Germany by 50 nations at Habana less interested in the question than France and in a setting where France's voice might not be heard. Consequently it is proposed that this subject be discussed at the forthcoming Tripartite Conference on Germany which is scheduled to begin in London on Feb. 19.<sup>2</sup>

When this note was received, it was pointed out orally to the French Emb. that in fact it constituted a refusal on the part of France to recommend the principle of nondiscrimination against exports from the Western Zones of Germany during the period of occupation. Emphasis was laid on the points which you had stressed in your conversation with Berard<sup>3</sup> and we stated again that the position now

<sup>1</sup> Not printed.

<sup>2</sup> For documentation on this conference, see vol. II, pp. 1 ff.

<sup>3</sup> Armand Bérard, Minister-Counselor of the French Embassy.

taken by France might have serious consequences with respect to the European Recovery Program as well as prejudicing the possible acceptance of the ITO Charter. Furthermore we explained that postponement of discussions to the London Conference which would only be binding on the three participating countries might make it impossible for any discussions in Habana. French Emb. was asked once more to make these points clear to Paris and requested to solicit a further explanation of reasons why France was not prepared to agree to nondiscrimination against exports from Western Germany. Copy of note and memo of conv. being airmailed.\*

MARSHALL

\* Not printed.

560.AL/2-1048 : Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*

SECRET

HABANA, February 10, 1948—6 p. m.

175. For Clayton and Brown from Wilcox. Met Tuesday morning with UK, France, Belgium, Holland, Norway, Canada, Australia and Czechoslovakia. Feeling unanimous must complete charter next ten days or abandon undertaking. Believe final showdown must be precipitated. General pessimism as to prospects resulting from exhaustion all participants.

Prospect is Coordinating Committee<sup>1</sup> must now enter into continuous session, with lines of possible compromise undeveloped countries now indicated:

- (1) Articles 15 and 42, more latitude on new preferences, customs unions, free trade areas.
- (2) Article 13, development of criteria establishing presumption for automatic prior approval on non-negotiated commitments on non-scheduled items.
- (3) Modification of provisions relating to Tariff Committee and establishment of Economic Development Committee.

All foregoing highly controversial and will be bitterly contested. May finally be necessary lay down offers on take it or leave it basis.

Should attempt settle differences with other countries outside Coordinating Committee. No agreement yet in sight on (1) European

<sup>1</sup> Established by the Heads of Delegations at a meeting on February 4, the Co-ordinating Committee, under the chairmanship of Max Suetens, sought to end the conference by solving those questions on which opinion remained divided, particularly those related to questions of economic development. For documentation regarding this Committee, see United Nations Conference on Trade and Employment Held at Havana, Cuba, From 21 November 1947 to 24 March 1948, *Reports of Committees and Principal Sub-Committees* (Geneva, 1948). (Interim Commission Document ICITO I/8) ; and Lot 57D284, Box 103.

discrimination issue, (2) non-members, (3) occupied areas. Europeans still desire put Stucki in wrong by offering him concession he might turn down.

Should still be possible arrive generally acceptable compromises with fresh negotiators and additional time, but present atmosphere not encouraging. [Wilcox.]

NORWEB

560:AL/2-1148: Telegram

*The Ambassador in France (Caffery) to the Secretary of State*

SECRET US URGENT

PARIS, February 11, 1948—7 p. m.

772. In view of Foreign Office note reported Embtel 567 February 1,<sup>1</sup> and Alphand's reaction to US proposed amendment ITO (International Trade Organization) charter concerning trade western zones Germany, (see also Embtel 659, February 5<sup>1</sup>) I sent letter to Chauvel on this subject (Deptel 296, January 30). There follows in translation text of Foreign Office letter in reply dated February 10:

"You have been good enough to draw my attention to the position taken by our delegation at the conference at Habana with respect to the amendment to Article 99 presented by the American delegation.

The proposals of the Department of State have been made the object of careful examination by the services of the Ministry. This examination has resulted in the conclusion that the so-called proposals are acceptable with respect to substance (*quant au fond*), but are not acceptable with regard to their method of application.

The conference assembled at Habana, indeed, does not have competence to deal with the question raised by your amendment. Only the occupying powers in Germany can judge whether the engagements which they take or are prepared to take with respect to the foreign trade of Germany are or are not in contravention with other engagements of an international character undertaken by them.

Besides, it is difficult to understand that questions concerning Germany, which were originally made, up to the end of December, the objective of tripartite examination and which have, in fact, been discussed on a bilateral basis since the beginning of January, should now be considered by 50 nations.

On the other hand, we cannot admit that the whole of the charter, and more especially Chapter III concerning economic development, could apply immediately to Germany which, by being placed with respect to its reconstruction on the same footing as the allied countries

<sup>1</sup> Not printed, but see footnote 1, p. 839, which contains its substance.

devastated by the war, would immediately prejudice the restoration of these countries.

I permit myself to draw your attention to the fact that our delegation proposed to transform your amendment into a resolution undertaken by the conference which would express the wish that the powers responsible for German economic policy notify as soon as possible either the organization or the provisional committee of the organization of the decisions which they would have taken with respect to this policy. This would give, in substance, satisfaction to the desire expressed by the Department of State.

We would be equally in agreement if it was suggested at Habana that German economic policy should be, to the extent possible, in accordance with the provisions of the charter and if it was proposed to amend the articles of the charter concerning the adherence of new members in such a way that Germany or a part thereof could adhere to the organization, it being understood that this adherence could be made only if the candidacy of Germany or a part of Germany was presented with the consent of the responsible occupying powers.

These proposals in their entirety would give to the members of the organization the possibility of committing themselves not to employ, once the organization has been established, discriminatory measures in their trade with the occupied zones. The wish which you express in your letter would thus be satisfied.

It seems to me therefore that in the light of the above-mentioned considerations we can only maintain the instructions addressed to our delegation in Habana.

Since the Department of State has set forth to our Ambassador in Washington its views on the subject raised by your letter, we are asking M. Bonnet<sup>2</sup> to advise the Secretary of State of our point of view and to propose including in the agenda of the tripartite conversations which are going to open in London a paragraph drafted in the following form: 'study of the development of German foreign trade in its relations to the ITO'.

We are asking our Ambassador<sup>3</sup> at London to make the same proposal to Mr. Bevin<sup>4</sup>.

Sent Department 772 repeated London 77 and Habana for Wilcox 6.

Caffery

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<sup>2</sup> The French Ambassador in Washington.

<sup>3</sup> René Massigli.

<sup>4</sup> British Secretary of State for Foreign Affairs.



International Trade Files : Lot 57D284, Box 105

*Memorandum by Mr. William Clayton to the Ambassador in the  
United Kingdom (Douglas)*

SECRET

[WASHINGTON,] February 11, 1948.

At the Conference now going on in Habana to develop a Charter for an International Trade Organization, the United States Delegation has been attempting to secure most-favored-nation treatment and the other benefits of the Charter for the occupied areas. This attempt has run into very strong opposition from the United Kingdom, France, Czechoslovakia, Poland and China. The Czechs have indicated that they could not accept a Charter with the occupied areas in it, and the United Kingdom and France have suggested that the problem of the treatment of the occupied areas should be left to a later date, France indicating that the question might appropriately be taken up at the Tripartite discussions in London. The legal competence of the Habana Conference to consider the problem has also been brought into question.

I have spoken with Lord Inverchapel and a representative of the French Embassy here, indicating in strong terms the importance of obtaining most-favored-nation treatment for the occupied areas by bringing them within the Charter and urging that their governments support our position at Habana. Our Embassy in Paris has also taken the matter up with the French Foreign Office. Despite these various representations, there has thus far been no change in the British and French position at Habana. It now appears that about the maximum we can get at this time with regard to the ITO Charter is a commitment to determine the relation of the occupied areas to the ITO after it is set up, probably in 1949 or possibly 1950, and a resolution by the Conference to the effect that trade relations between the occupied areas and the other members of the ITO should be conducted in accordance with the principles of the Charter and that the determination of the relation of the occupied areas to the ITO shall be made at the first meeting of the ITO. We may have to settle for something even less than this.

There is another way, however, in which we might accomplish our objective of getting m-f-n treatment for the occupied areas. Toward the end of this month the contracting parties of the General Agreement on Tariffs and Trade (GATT), recently concluded at Geneva, will convene at Habana to consider problems arising out of the Agreement. This Agreement contains provisions regarding most-favored-nation and general nondiscriminatory treatment similar to those already in the ITO Charter. If these provisions could be applied to the occupied areas, it would substantially accomplish the purpose intended by the original United States proposal at the ITO Conference, would

help promote the purposes of the European Recovery Program, and would facilitate the reintegration of Germany into the European and world economy.

The attached paper, prepared as a preliminary position paper for the forthcoming GATT meeting, contains a proposal for bringing the occupied areas within GATT and obtaining m-f-n treatment for them. If this proposal or something similar is to be put across at the GATT meeting and be meaningful, it is essential that the British and French change their present attitude and support our position.

It is therefore requested that you take this matter up, either formally or informally as you see fit, with the British and French at the Tripartite discussions in London in an effort to obtain their support for our view. Since the GATT meeting will open shortly after the beginning of the Tripartite discussions and will probably be completed within a week or so, it will be necessary for you to take the question up at the earliest opportunity after the opening of the London discussions if your efforts are to be of any avail for the GATT meeting.

[Attachment]

*Preliminary Draft Position Paper*

SECRET

[WASHINGTON,] February 9, 1948.

GATT AND TREATMENT OF OCCUPIED AREAS

PROBLEM

What should be done to ensure that the benefits of GATT, including most-favored-nation treatment, are extended to the occupied areas of western Germany and Japan?

RECOMMENDATIONS

The recommendations that follow are tentative and preliminary in character and subject to modification in the light of the results of the current discussions on the occupied areas problem at the ITO Conference at Habana.

1. At the meeting of the contracting parties of GATT at Habana a protocol or other form of contractual commitment should be entered into, whereby the occupied areas would obtain the assurance of general nondiscriminatory, m-f-n treatment from other countries in return for like treatment on their part. This commitment should be of the following character:

(a) Those contracting parties of GATT having responsibility, either singly or with other states, for the direction in Germany or

Japan of matters provided for in GATT, would accept the obligations of the latter in respect of such area or areas for which they may have such responsibility, to the extent of and for the period of their responsibility. Exceptions to this undertaking should be provided to permit (i) measures relating to the security of the occupation forces, (ii) measures pursuant to peace treaties and related instruments in regard to such areas for the conclusion of World War II, and (iii) measures made necessary, pending the conclusion of a special exchange agreement in accordance with paragraph 6 of Article XV of GATT, by reason of the absence of an exchange rate.

(b) In return for the above undertaking, those contracting parties of GATT and other countries which might wish to adhere, would obligate themselves to extend general nondiscriminatory and most-favored-nation treatment and the other benefits of GATT to the occupied areas.

(c) The protocol or commitment providing such reciprocal treatment should be voluntary and open-end in character in the sense that (i) only those contracting parties of GATT which wish to extend to and receive from the occupied areas such treatment need adhere, and (ii) such countries as are not parties to GATT but wish to enter into a reciprocal arrangement of the above type with the occupied areas, would be free to adhere.

2. If in connection with a commitment along the above lines, contracting parties of GATT should raise the question of tariff negotiations with respect to the occupied areas, it should be indicated that at least the United States as an occupying power would be agreeable to undertaking such negotiations for its zone at the earliest opportunity. In this connection it should be pointed out, however, that at the present time no effective tariff structure is being maintained in the occupied areas and that it may be some time before it would be possible to undertake tariff negotiations for the occupied areas due to the prevailing abnormal circumstances.

#### DISCUSSION

At the current ITO Conference in Habana effort is being made to bring the occupied areas into the Charter so that they would have firm assurance of receiving the benefits of the Charter, particularly m-f-n treatment, when the ITO came into effect. For this purpose the U.S. Delegation at Habana has proposed an amendment to the Charter, similar to the undertaking suggested in sub-paragraph (a) of the first recommendation above, which is designed to bring the occupied areas within the Charter.

At Habana, however, strong opposition to the U.S. amendment has developed, particularly from the U.K., France, Czechoslovakia, Poland, and China. The Czechs have indicated that they could not accept a Charter with the occupied areas in it, and the U.K. and

France have suggested that the problem of the treatment of the occupied areas should be left to a later date. The legal competence of the Habana Conference to consider the problem has also been brought into question.

The likely outcome of these discussions at Habana is not yet clear, and any conclusions reached now can only be tentative and subject to modification in the light of the results of the Habana deliberations. Mr. Clayton has indicated that if the present opposition to the U.S. amendment for the occupied areas continues, the amendment would be withdrawn and, instead, an effort would be made to obtain at the forthcoming GATT meeting acceptance of a commitment along the lines of recommendation 1 above. Even if the U.S. Delegation is successful in pushing through its amendment at Habana, it would be desirable to obtain a similar commitment at the GATT meeting so that the occupied areas could be assured of m-f-n treatment at the present time rather than several years hence when the Charter becomes effective.

Sub-paragraph (c) of recommendation 1 suggests that the protocol or commitment should be voluntary and open-end in character. The reason for this suggestion is to afford a procedure whereby such countries as Czechoslovakia and possibly China, which are strongly opposed to any m-f-n commitment for the occupied areas, to stay in GATT and abstain from such a commitment while other GATT countries accept such a commitment for themselves. The open-end nature of the proposed commitment would enable the occupied areas to obtain from countries not party to GATT a similar commitment for m-f-n and general nondiscriminatory treatment. Though the commitment may have to be worded differently for such non-GATT countries, an effort should be made to obtain their consent to applying to the occupied areas as much as possible of the general provisions of Article I and Part II of GATT.

It is possible that when a commitment for the extension of the benefits of GATT to the occupied areas is proposed at Habana, some countries may raise the question of tariff concessions from these areas. At present no effective tariff is being maintained in these areas, and it may be some time due to the prevailing abnormal circumstances before tariff negotiations for these areas could be undertaken. Subject to this qualification, however, the U.S. as an occupying power would not be averse to undertaking such negotiations for its zone at the earliest opportunity.

International Trade Files: Lot 57D284, Box 104

*The Vice Chairman of the United States Delegation (Wilcox) to the  
Chief, Division of Commercial Policy (Brown)*

PERSONAL AND CONFIDENTIAL

[HABANA,] February 12, 1948.

DEAR WIN: I have received your memoranda of telephone conversations, dated January 29, with Percival, of the British Embassy, and Castan, of the French Embassy.<sup>1</sup> I have not told the Delegations here flatly that it would be absolutely impossible for the Administration to present the Charter to Congress this year. I am sorry that this information had to come to them in a round-about way.

I had hoped that the Charter might be presented to Congress in such a way that it would go before a committee that would give it a fair hearing and consider its merits and demerits, advantages and disadvantages, in a calm atmosphere, with the emphasis on its foreign policy aspects and its general significance for international economic cooperation. In short, I had hoped that the Charter would go to the Foreign Relations Committee of the Senate on its merits.

The inevitable consequence of the decision to drop the Charter and push for the renewal of the Trade Agreements Act, it seems to me, will be this:—your discussion of the Trade Agreements renewal will drive you into a discussion of the GATT; consideration of the GATT will drive you into a cross-examination on the ITO Charter. The Charter will thus be dragged in by the heels, without any opportunity for a favorable or friendly presentation. The Geneva and Havana drafts will have their first Congressional consideration before the most hostile and violently prejudiced forum in either house of Congress, the Committee on Ways and Means. The result will be that the Charter will be politically discredited before any opportunity is provided to give it a fair hearing. The only way I can think of to avoid this is formally to present the Charter to the Senate as soon as the Havana Conference closes. Can you think of any other way?

Yours as ever,

CLAIR WILCOX

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<sup>1</sup> Neither printed, but see telegram 132 to Habana, January 30, 1948, p. 838, for a summary.

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560.AL/2-1548: Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*

SECRET URGENT  
NIACT

HABANA, February 15, 1948—11 a. m.

196. For Lovett from Clayton and Wilcox. USDel has, pursuant instructions, pressed vigorously for amendment articles 99 of charter

in re occupied areas. Determined resistance has centered around UK which sought primarily to block any action whatever at Havana re occupied areas and, failing this, to confine action to weak recommendation for study by govts. France, under special instructions not reported Washington, has followed UK lead pending London discussion. Slavic states have used obstructive tactics. Australia and China have opposed. Even support from Denmark has been withdrawn in face UK position.

If US is to obtain, within reasonable period, most favored nation treatment for trade of occupied areas, believe only effective method would be inclusion provision in ERP<sup>1</sup> and Chinese legislation along following lines:

"Any govt receiving aid under this act shall agree to the application, on a reciprocal basis, of most favored nation treatment to the trade of areas under military occupation for the period of such occupation".

In view of forthcoming reporting of legislation out of congressional committees, suggest urgent steps be taken toward inclusion above provision in bill as reported.

USDel will press for amendment to article 68 in any case but feel weak resolution recommending study along lines acceptable UK worse than nothing. [Clayton and Wilcox.]

NORWEB

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<sup>1</sup> For documentation regarding the European Recovery Program see vol. III, pp. 352 ff.

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560.AL/2-1548 : Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*

SECRET      US URGENT

HABANA, February 15, 1948—9 p. m.

199. For Lovett from Clayton reourtel 196. At informal meeting today with UK, France, Czech, Scandinavians, Belgium, Holland, Australia, New Zealand, South Africa, Canada, US presented proposal for resolution Havana Conference recommending acceptance by all governments concerned of draft agreement on MFN treatment foreign trade occupied areas. Agreement would bind signatory governments whether as occupying authorities or as governments of states trading with occupied areas to apply MFN treatment to such trade.

Reaction extremely negative. UK offered counter proposal for resolution of delegates willing sign at Havana recommending to governments concerned same agreement but in weakened form for study with a view to its being brought into effect "at an early date".

Czech stated it would be politically impossible accord MFN treatment German goods in any manner which would become known to Czech population. Australia made similar statement regarding Jap

goods. No support for US proposal Scandinavian and low country delegates remaining silent.

As result reception our proposal I withdrew US amendment to article 99 of charter and US proposal for separate agreement. Amendment to article 68 enabling ITO to deal with issue agreed.

Reaction our proposal probably indicative of strong attitude on part considerable number countries against goods occupied areas and possibility of unofficial boycott. Result fortifies me in belief expressed in ourtel 196 that only prompt and effective way attack problem vis-à-vis western European countries will be through insertion provision in relief legislation. [Clayton.]

NORWEB

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560.AL/2-1548: Telegram

*The Secretary of State to the Embassy in Cuba*

SECRET

WASHINGTON, February 17, 1948—5 p. m.

226. For Clayton from Lovett. Senate Foreign Relations Committee has approved provision in ERP legislation requiring inclusion in bilateral agreements of a commitment that participating countries (which include western Germany) must cooperate with each other in stimulating interchange of goods and reducing trade barriers among themselves. You may advise ERP countries that we would expect clause such as you suggest ur 196 Feb 15 in bilateral ERP agreements, as part of implementation this policy. You may also advise Chinese Del that we would expect similar provision in China aid bilateral agreement. [Lovett.]

MARSHALL

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Lot 65 A 987, Box 104

*Memorandum by the Acting Director, Office of International Trade Policy (Brown) to the Ambassador in the United Kingdom (Douglas)*

[WASHINGTON,] February 17, 1948.

This<sup>1</sup> will supplement Mr. Clayton's memorandum<sup>2</sup> to you asking to take up with the British and the French what their objections are to according most-favored-nation treatment to the trade of German zones.

We are most anxious to find out what the real British reasons are for refusing to give this assurance at Habana. The only reason we have been able to think of is that they wish to be free to direct the exports

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<sup>1</sup> Reference is to an enclosed memorandum for Lord Inverchapel below.

<sup>2</sup> Dated February 11, 1948.

from their part of Bizonia without being limited by any obligation to give other countries most-favored-nation treatment.

We feel strongly that we are entitled to know what the British reasons are for taking the position they have.

[Annex]

MEMORANDUM FOR LORD INVERCHAPEL<sup>3</sup>

A situation has arisen at Habana which causes my Government great concern. The United States Delegation has proposed an amendment to the draft Charter for an International Trade Organization which would provide that members, in their administration of the Western zones of Germany and of Japan, should be subject to the obligations and entitled to the benefits of the Charter. One of the most important of these benefits is that of most-favored-nation treatment in tariffs and other trade regulations. The United Kingdom Delegation has opposed this amendment on the ground that this is not the appropriate time to discuss this question.

My Government believes (a) that it is of the utmost importance that Germany be integrated into the economy of Western Europe as rapidly and effectively as possible; (b) that it would be contrary to the interests of all of the occupying powers if any member of the International Trade Organization should be free to discriminate against the trade of these occupied zones; and (c) that it will be most difficult for the Congress and people of the United States to understand why the Government of the United Kingdom would be unwilling at this time to undertake a commitment to extend most-favored-nation treatment and the other benefits of the Charter to these occupied areas, particularly in view of the fact that the United States is contemplating an extensive program of aid to Western Europe designed to assist it in a program of self-help.

On January 23, officers of the Department spoke with a representative of the British Embassy asking him to impress upon his Government the importance which my Government attached to its amendment. We have received a reply that the United Kingdom Government is unable to concur in the amendment, but no reasons for this position were given except that it was considered to be premature.<sup>4</sup>

<sup>3</sup> The memorandum was prepared by Mr. Brown, the Acting Director of the Office of International Trade Policy on January 30, 1948; it was presumably given to Lord Inverchapel by Mr. Clayton in the conversation noted in the Clayton memorandum of February 11, p. 855.

<sup>4</sup> In telegram 116 to Habana, January 25, 1948, not printed, the delegation was advised: "UK and French here have been strongly urged instruct their deis concur US position and if unable do so before Monday afternoon to join US in requesting postponement committee meeting to give time discussion their reasons high level here." (560.AL/1-2548)



I would like to reiterate again the fact that my Government considers it absolutely essential that there be agreement at Habana on some form of undertaking that the members of the International Trade Organization will give most-favored-nation treatment to the products of the Western zones of Germany and Japan in return for most-favored-nation treatment of their products by the authorities occupying those zones. My Government would prefer to see this recognition take the form of acceptance of the amendment to Article 99 of the draft Charter which it has proposed, but would, of course, be willing to consider alternative suggestions along this line.

This question is being debated today at Habana, and a prompt decision is imperative. I hope you will emphasize this to your Government. I hardly need mention how unfortunate it would be if the public should gain the impression that our two Governments were at odds on so important a question of economic policy with respect to the zones in Germany which we respectively administer.

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560.AL/2-1848: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET

WASHINGTON, February 18, 1948— 5 p.m.

543. For USDel on tripartite discussions on Germany. Despite strong representations by Dept and efforts by USDel ITO Conf Habana, UK, France and other countries at Habana refuse accept contractual commitment to apply, on reciprocal basis most-favored-nation treatment to trade of occupied areas during occupation period. (Clayton has informed Douglas of problem.) Reasons for UK and French positions have not been explained. Dept considers opposition unjustifiable and believes further efforts should be made to obtain m-f-n treatment for occupied areas. If Del perceives no objections, pls take this question up at earliest opportunity with UK and Fr with view ascertaining reasons for their position and persuading them accept m-f-n commitment on reciprocal basis with occupied areas.

If attitudes UK and Fr can be changed, would be desirable to work out protocol or other form of commitment for such reciprocal m-f-n treatment for occupied areas at forthcoming meeting of contracting parties of General Agreement on Tariffs and Trade at Habana. Brit and Fr should be urged to support US in obtaining such agreement at GATT meeting and to instruct their delegations at Habana accordingly soon as possible. Since GATT meeting being planned to convene Feb 23 and finish by Feb 29, prompt action is essential.

UK, Fr and other ERP countries at Habana are being advised that US will expect provision according reciprocal m-f-n treatment for

occupied areas to be included in bilateral ERP agreements. This point may also be emphasized in your discussions.

Pls repeat to Habana any communications re foregoing to Dept. Sent London as 5543, repeated Habana as 2377 and Paris as 511.

MARSHALL

560.AL/2-2048 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET US URGENT

LONDON, February 20, 1948—8 p. m.

662. For Lovett from Douglas. At a meeting with Bevin, Cripps and Harold Wilson, president of the Board of Trade, this afternoon, Cripps and Wilson expressed concern over the developments at the ITO conference in Havana.

Preliminary examination of the communication which they had received this morning from HMG's delegation indicated that while on the one hand further concessions were contemplated for the South American countries, India, Australia and New Zealand in the establishment of quotas and restrictions to trade in order to foster economic development, on the other hand, HMG was being asked to relinquish some of the concessions of a discriminatory character to which we had tentatively agreed at Geneva.<sup>1</sup>

Would appreciate your appraisal of what has occurred.

Cripps and Wilson will give me on Monday their complete analysis of what has so far transpired at Geneva [*Habana?*]

DOUGLAS

<sup>1</sup> This refers to the discussion regarding Article 23 (see footnote 1, p. 841), which entered a new and decisive phase on February 12 when the United States "presented without commitment a text showing how the Anglo-American Proposals of 1945 could be translated into a completely new text for Article 23." (Delegation's Summary Report No. 52, February 12 meetings, Lot 57D284, Box 105) An informal United States-British negotiation on this question is described in Habana telegram 249, February 27, 2 p.m., p. 875.

740.00119 Council/2-2048 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET URGENT

LONDON, February 20, 1948—11 p. m.

664. Delsec 1559. US Delegation [London Tripartite Conference] proposes for present to handle question urtel 543, February 18 informally with French and British. In conversation with Foreign Office today it developed previous British position on amendment to

ITO charter due to (1) doubts regarding extent obligations but imposed on occupying powers and their ability to implement them; (2) uncertainty concerning corresponding obligations of non-occupying powers; (3) difficulties arising out of quadripartite control of Germany, particularly of customs duties; (4) doubts regarding applicability of Chapter III of charter to occupied areas; (5) and fears about extension of ITO benefits to Japan. We stressed failure to extend most-favored-nation treatment to German trade would be incomprehensible to US and expressed doubt any real difficulties would arise in Germany regarding reciprocity. Foreign Office experts, when apprised latest US proposal for special agreement on extension most-favored-nation treatment to occupied areas in connection with GATT, promised immediate consideration and held out prospect for more favorable reception of this more limited proposal. They stressed importance of receiving promptly draft of such proposed agreement and explanation its relation to GATT and ITO. Anticipated there would still be difficulty about extension to Japan on which consultation would have to take place with members Commonwealth. We informed Foreign Office to later efforts to get Germany into ITO anxious at present that to best our knowledge US Government without prejudice to get agreement only that GATT countries will simply extend most-favored-nation treatment to occupied areas on basis of reciprocity.<sup>1</sup> Also expressed confidence such reciprocal treatment could be extended by western zones.

Will pursue matter further with British, also French as soon as further information and instructions received from Department and Habana.

British are taking up matter with MG in Germany which will probably consult with OMGUS re German ability to extend reciprocal most-favored-nation treatment.

Sent Department as 664; repeated to Habana as 2, and to USPolAd Berlin as 20.

DOUGLAS

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<sup>1</sup> This sentence should apparently read: "We informed Foreign Office that to best our knowledge United States Government without prejudice to later efforts to get Germany into ITO anxious at present to get agreement only that GATT countries will simply extend most-favored-nation treatment to occupied areas on basis of reciprocity."

740.00119 Council/2-2048

*The Secretary of State to the Embassy in the United Kingdom*

SECRET US URGENT WASHINGTON, February 21, 1948—1 p. m.

608. Gerdel for Martin.<sup>1</sup> Refer your telephone conversations with Hickerson, Lewis and Weiss, and urtel 664, Feb 20.

2. Protocol for m-f-n treatment for occupied areas was suggested not for ITO Charter but for contracting parties of General Agreement on Tariffs and Trade as indicated Deptel 543, Feb. 18. Exact text of such protocol has not been prepared but substance of it has been outlined in attachment to memo from Clayton to Douglas of Feb 11. Both Douglas and Saltzman<sup>2</sup> were given copies of memo and attachment prior to their departure for London.

3. The proposed protocol would be of following character:

(a) Contracting parties of GATT having responsibility for direction in Ger, Jap and Korea of matters provided for in GATT, would accept obligations of latter in respect of such areas for which they may have such responsibility, to extent of and for period of their responsibility. Exceptions to this undertaking would be provided to permit (i) measures relating to security occupation forces, (ii) measures pursuant to peace treaties and related instruments in regard to such areas for conclusion World War II, and (iii) measures made necessary, pending conclusion special exchange agreement in accordance with para 6 of Art XV of GATT, by reason of absence of an exchange rate.

(b) In return for above undertaking, those contracting parties of GATT and other countries which might wish to adhere, would obligate themselves to extend benefits of GATT, including m-f-n treatment, to occupied areas.

(c) Protocol or commitment providing such reciprocal treatment would be voluntary and open-end in character in sense that (i) only those contracting parties of GATT which wish to engage in such reciprocal undertaking need adhere, and (ii) such countries as are not parties to GATT but wish to enter into such reciprocal arrangement would be free to adhere.

4. Dept would be agreeable to modifying above proposed protocol so as to confine it to undertaking merely for reciprocal m-f-n treatment as regards trade with occupied areas. For your information such undertaking would not prevent imposition in occupied areas of quantitative restrictions for economic development, though it would require that any such restrictions be imposed on non-discriminatory basis. Hence, if British and French are worried about use of QR's in occupied areas for economic development purposes, they would

<sup>1</sup> Edwin McC. Martin, Acting Chief, Division of Occupied Areas Economic Affairs.

<sup>2</sup> Charles Saltzman, Assistant Secretary of State for Occupied Areas.

seem to be better served by protocol as suggested in para 2 which would apply all of GATT to occupied areas and thus restrict in first instance use of QR's for economic development.

5. Note that Korea should be included in proposed protocol although inadvertently omitted in attachment to Clayton memo.

6. If protocol is to be obtained at GATT meeting Habana, essential that British and French be brought around by early part next week since GATT meeting scheduled to close Feb 29. If British and French agree in principle, they should instruct their dels Habana who can work out exact text with our del there.

Sent London as 608, repeated Habana as 250.

MARSHALL

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560.AL/2-2348: Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*

SECRET

HABANA, February 23, 1948—6 p. m.

235. For Douglas from Wilcox. Reference Consulate [*Embassy*] telegram 662 to Department,<sup>1</sup> repeated Havana, Deptel 251, February 21. Compromises with undeveloped countries and strategy in negotiation have worked out in full consultation with UK, Commonwealth, and European delegations under Clayton's direction February 13 through 19. British delegation has not dissented from decisions made in this group but has subsequently sought delays in negotiations.

US delegation defended Geneva draft Article 23 exceptions to rule of non-discrimination during first months of conference. British delegation sought amendments providing greater freedom for discrimination than Geneva draft and supported numerous European amendments having same effect. Final compromise worked out by Clayton accepted by British delegation *ad referendum*. Gives UK greater latitude than Geneva draft to discriminate during transition period, and permits discrimination in some cases after transition period with prior ITO approval. Further concession would destroy long run hope for multilateral trade and render charter indefensible in US. Draft subsequently accepted by French, Belgium, Netherlands, Norway, Sweden, Denmark, Czechoslovakia, Canada, Australia, New Zealand, South Africa, and favorably received by other delegations. Would be impossible obtain as wide support at Havana for any other draft that could be accepted in US.

. . . US delegation with full support of Dominion and European delegations is assuming leadership in bringing negotiations to con-

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<sup>1</sup> February 20, p. 864.

clusion. Final draft of charter will probably be acceptable to all delegations except Switzerland and perhaps Argentina and Uruguay. Sent London; repeated Department 235.

NORWEE

560.AL/2-2448 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET US URGENT  
NIACT

LONDON, February 24, 1948—9 p. m.

705. Delsec 1575. (1) In conversation today with Alphan Saltzman and Martin outlined alternative courses of action now being considered by us with respect to most-favored-nation treatment for occupied areas. In view shortness of time proceeded immediately to describe (1) provision for most-favored-nation treatment in bilateral agreements under ERP, (2) protocol which would commit occupying powers on one hand and other signatories to the protocol to apply provisions of GATT to occupied areas on reciprocal basis, and (3) protocol on same open-end basis merely committing signatories to apply most-favored-nation treatment to their trade with the occupied areas if they receive similar treatment from the occupied areas. Three exceptions for occupying powers listed in Clayton-Douglas memorandum were suggested as well as possible need for security exception similar to Article 94 for other signatories.

(2) Importance US attaches to recognition of principles involved was stressed.

(3) In answer to question indicated inability to say that if protocol adopted would not proceed with provision in bilateral agreements.

(4) Alphan expressed general French agreement with US objective as regards opening channels for German exports. Only real question was to what kind of Germany most-favored-nation treatment was to be granted. When usual French security fears had been allayed, there would be no problem, but until assurances in hand on these points French could not bind their hands. He suggested that in view this problem commitment clearly limited to occupation period would be materially less objectionable than one applicable to post-occupation period.

(5) Alphan also indicated that Chapter 3 provisions with respect to exemptions for economic development of war-devastated areas not acceptable "for the time being." Reasons apparently political. This would rule out, he feared, protocol applying all provisions of GATT.

(6) He offered no criticisms of alternative 3 if limited to occupation period.

(7) He indicated no interest in what was done with respect to Japan and Korea.

(8) Alphand said he would refer the matter to Paris. He understands fully need for prompt action.

(9) At another meeting with British on same subject content of proposed protocol explained to them, as well as possible alternative of simple undertaking to extend most-favored-nation treatment to occupied areas on basis of reciprocity. Importance of early decision stressed to British who, however, explained delay would result from consulting dominions on application protocol or other undertaking to Japan and Korea. Important therefore to know whether Department prepared to accept agreement confined to Germany only.

(10) Re Habana's 232 to Department February 23, repeated to London unnumbered.

Request instructions whether we should press further for protocol. Martin and De Wilde<sup>1</sup> do not think it feasible to ask French and British to take initiative in sponsoring protocol at Habana.

DOUGLAS

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<sup>1</sup> John C. de Wilde, Acting Associate Chief, Division of Occupied Area Economic Affairs.

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560.AL/2-2548: Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET US URGENT

LONDON, February 25, 1948—8 p. m.

726. For Thorp<sup>1</sup> from Douglas. At a meeting this morning with Cripps, Harold Wilson, others of the Board of Trade and Hall-Patch of the Foreign Office, an *aide-mémoire*<sup>2</sup> was handed to me and discussed. The following is a relevant extract:

"Agreement is apparently very near at Havana on a charter which most of the countries participating would accept, some with varying degrees of reluctance. The charter text now emerging has, however, a number of most unsatisfactory features and it is very doubtful whether the United Kingdom can accept it.

2. The main difficulties relate to (a) non-discrimination, (b) protective use of quantitative restrictions for developmental purposes, and (c) creation of new preferences.

3. The main objections to acceptance are:

(1) (b) and (c) above the provisions concerned fall far short of the protection which we have looked for in working on the charter, are radically inconsistent with the "Washington pro-

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<sup>1</sup> Willard L. Thorp, Assistant Secretary of State for Economic Affairs.

<sup>2</sup> Not printed.

posals" of December 1945,<sup>3</sup> and may seriously prejudice our position under existing commercial treaties by setting the seal of respectability upon practices which may seriously affect our exports.

(2) On (a), the difficulty is that the provisions concerned are obscure and ambiguous and, above all, that they may involve acceptance of an obligation which we may not be able to fulfill with consequential dangers of misunderstandings, accusations of bad faith, political and other implications, etc. Given sufficient time, these obscurities and difficulties could, no doubt, be removed, particularly if the discussion could take place in an atmosphere totally different from that ruling in Havana (preferably in Washington where the practical implications of the Section Nine complications can be more readily assessed).<sup>4</sup> In any case, however, the United Kingdom would be incurring very serious risks if it accepted these provisions in their present form.

4. The following are supplementary notes on the three main points at issue:

(a) *Non-discrimination.*

The full implications of the United States draft,<sup>5</sup> which now holds the field, have not been worked out. The main difficulties are its possible ambiguity and its grudging acknowledgment of the possibility of discriminatory imports. The draft provides no clear-cut way out of the Section Nine problem since its provisions are not capable of being substituted for the existing Section Nine provisions. One main difficulty is that the non-discrimination provisions are [*as*] now drafted appear to cover satisfactorily all countries except the United Kingdom. This is because in effect they permit the continuation and modification of discriminatory arrangements in force on 15th February, 1948, when we alone were bound by the non-discrimination provisions of Section Nine. Apart from other objections to further attempts to settle this complex issue in the atmosphere of Havana, it is unthinkable that the conference could be prolonged to give time for a satisfactory settlement of very special and difficult problem, complicated as it is by the existence of the Section Nine difficulty.

(b) *Protective quantitative restrictions for developmental purposes.*

The general principle of prior approval for use of quantitative restrictions has been maintained in form, but only subject to serious loophole that quantitative restrictions which meet certain objective (but, in reality, largely subjective) criteria qualify automatically for

<sup>3</sup> Reference here is presumably to Department of State, *Proposals for Expansion of World Trade and Employment* (Publication 2411), November 1945.

<sup>4</sup> Section 9 of the Anglo-American Financial Agreement of December 1945, entitled "Import Arrangements", provided that "If either the Government of the United States or the Government of the United Kingdom imposes or maintains quantitative import restrictions, such restrictions shall be administered on a basis which does not discriminate against imports from the other country in respect of any product. . . ." (60 Stat. (pt. 2) 1843, 1844). This had the effect in 1946-1948 of freeing U.S. trade from British discriminatory restrictions but at the same time of making more difficult Britain's export and foreign exchange problems.

<sup>5</sup> See footnote 2, p. 802.



such prior approval thus removing in those cases even the relative safeguard of subsequent disapproval by the organization. It is symptomatic of the subjective nature of these criteria that in certain cases measures which are merely "designed" for particular purposes (as distinct from being "necessary" for those purposes) must be automatically approved by the organization without any provision for subsequent complaint.

The detailed provisions are extremely complicated but there is no doubt that they involve a very substantial breach in the provision of the charter to which we attach major importance i.e. that protective quotas should not be applied without the prior approval of the organization on their individual merits.

(c) *New preferences.*

Here again the principle of prior approval for any new preferences has been maintained in form but in practice new preferences which are claimed to be necessary for developmental purposes qualify for approval on a number of loose "automatic" criteria provided that they are between territories which are geographically contiguous or form part of one "economic region". In other words regional preferences may be instituted without close control or even subsequent check, whilst new preferences with e.g. the Commonwealth would require approval by two-thirds of the members of the organization. On merits, arrangements of this kind might be extremely damaging to our export interests (e.g. in South American—cotton preferences in neighbouring countries to be enjoyed by Brazil) and politically any such arrangements which put our own preferential system at a distinct disadvantage are obviously most vulnerable to severe criticism, however unlikely the contingencies envisaged might be in practice."

I informed Cripps of the contents of cable to me from Havana, repeated Department as 235, February 23. In the light of this cable, Cripps and I felt that possibly the difficulty of non-discrimination arose out of different interpretations of the language of charter in the form in which it is being written at Havana.

If this is the case, then the ambiguity which gives rise to the different interpretations can be clarified and should be no insurmountable obstacle.

As to protective quantitative restrictions for development purposes, it is Cripps' view that the language drafted at Havana in effect releases all of the less well developed countries from the provisions of the charter, for it enables them by unilateral action to impose such restrictions as they may themselves deem necessary as "designed" to achieve certain purposes, without in advance receiving the approval of the ITO organization, or indeed afterwards obtaining its sanction.

As to new preferences, it is Cripps' view that the language presently being drafted at Havana discriminates against the UK and Commonwealth on the sole grounds that the members of the Commonwealth and the Crown colonies are not contiguous. This he suggests can be

cured by extending to the UK, Commonwealth and the colonial colonies the same rights to establish new preferences which are contemplated under the present draft of the charter. (I would point out, however, as I did to Cripps, that if this were done, it would have the effect of voiding, at least in part, the agreement previously made with the British in regard to Empire preferences.)

Cripps says that in its present form it would be politically impossible to present the charter to parliament. I suggest that it might be desirable to invite HMG to send a strong man to Washington to reconcile the divergent views, and subsequently, if time permits, to proceed to Havana to present the British view to the conference, after having settled the difficulties in Washington. If this is not possible, or for some reason is considered inadvisable, and if difficulties are not resolved prior to March 10 when I understand the Havana conference now plans to adjourn, then Cripps suggests that the Havana conference be adjourned without taking final action of [on] the charter, and be reconvened in two or three months time for the purpose of settling the problems which Cripps raises.

The only other course which Cripps informs me his government can take is to refuse to sign the charter. This he is very reluctant to do, because of the significance of multilateral trade to the UK, and indeed to the whole world, but he informs me that there would be no other course for him to take if the alternatives suggested above are not acceptable.

I am not repeating this to Havana, since I understand Clayton is now in Washington.

DOUGLAS

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International Trade Files : Lot 57D284, Box 104

*The Vice Chairman of the United States Delegation (Wilcox) to the  
Chief of the Division of Commercial Policy (Brown)*

STRICTLY PERSONAL

[HABANA,] February 25, 1948.

[Extract]

DEAR WIN:

... I then<sup>1</sup> began a series of meetings with all of the British and European countries here in an effort to bring the Conference to a conclusion. Two weeks ago all of these people (except Eric Colban<sup>2</sup>) were buried in gloom. Wilgress saw no hope at all. Coombs was saying that

<sup>1</sup>Reference here is to Wilcox's return to the Conference after a weekend respite.

<sup>2</sup>Erik Colban, Head of the Norwegian Delegation.

we should adjourn the Conference and put the whole project on ice for a year or more. I called a meeting and talked to these people like a football coach talks with his team before the last game of the season and then, at a series of subsequent meetings, developed a party line for the solution of all outstanding issues. At this stage, fortunately, Will Clayton joined me for a week, and by working tirelessly day and night we brought the most serious problems to a point where it appeared certain that the Conference was going to succeed. We receded from our impossible position on occupied areas, we got a draft on relations with non-Members which was acceptable to the Czechs and the Scandinavians, we got a solution on non-discrimination which was acceptable to all of the Europeans and to the British Delegation here (if not to their Government in London), and we got the Latins and the other undeveloped countries into an apparent mood of compromise in a series of meetings in which we presented them with a new draft of Article 13. It thus appeared that every serious obstacle to the conclusion of our work was removed.

These last two weeks have involved incessant toil, and have been exhausting in the extreme. We had to work out all these positions, first in the U.S. Delegation, second with the British and European countries, and third, in negotiations with the undeveloped countries. In addition to that, we have had a protracted and annoying struggle with the French on the subject of appeals to the International Court of Justice under Chapter VIII, and a delicate and interminable negotiation with the Arabs, the Czechs, the Indians, and the South Africans over the question of political boycotts. For three months we have kept this one out of the newspapers. If it ever hit the headlines the repercussions might be extremely serious. Holloway is still waiting for word from Smuts, and we may still have troubles here.<sup>3</sup>

In the week since Clayton left, working continuously with the British and European countries, I have brought all of the remaining issues with the undeveloped countries together into a single package. The contents of the package are (1) our new draft of Article 13, (2) our final position on Article 15, (3) three alternative approaches to the problems presented by the Tariff Committee and the Economic Development Committee, (4) the final settlement of the question of the Executive Board, and (5) removal of outstanding amendments and reservations relating to all of these points. At a meeting of the Coordinating Committee (nine undeveloped countries, three devastated countries, and Wilcox) yesterday morning I presented and explained all of these documents and indicated quite clearly that they

<sup>3</sup> Dr. John E. Holloway, Permanent Secretary of the Treasury, Union of South Africa and Head of the South Africa Delegation to Habana, and Jan Christiaan Smuts, Prime Minister of South Africa.

represented our final position and had to be taken in their entirety. The Committee meets again this afternoon to get the reaction of the undeveloped countries. It is our belief that we have satisfied China, India, the Arab countries, and the Central Americans, and that we can get a majority any time we force the question to a vote. We should be very much surprised if the other Latinos would turn us down flatly. It is perhaps too much to hope that they will accept the package as is. What is more probable is an effort to go on chiseling away at point after point, and we all feel certain that now, after three months of persuasion and compromise, the time has come when we must say No and continue to say No. At the earliest possible moment I hope to carry our package to a meeting of all Heads of Delegations and force a final showdown.

When Mr. Clayton left at the end of last week I had some hope that we should be able to complete Committee work by the end of February and get out of Havana by the end of the first week in March. Two days ago, however, the Secretariat put out a paper which established two weeks as the time required between the completion of Committee work and the signature of the Final Act. This made March 14 the target date for the conclusion of the Conference. Now everybody is convinced that the Committee work will not be completed by the end of this month and the prospect, therefore, is that this business may drag on to the 20th or the 25th.

[Here follows material related to personnel on the delegation and to Wilcox's proposed activities, after returning to the United States.]

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560.AL/2-2648 : Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*

SECRET US URGENT

HABANA, February 26, 1948—4 p. m.

246. For Clayton from Wilcox. Holmes UK delegation informs me British government dissatisfied compromise agreements charter on ground article 13 recognizes QR for protective purposes, article 15 would not permit new preferences UK and colonies without two thirds vote, article 23 does not allow enough latitude for discrimination. He asks whether UK delegation should move to adjourn conference or refuse to sign final act.

My reply was UK committed to program from Atlantic Charter through article VII Lend-Lease Anglo-American loan agreement joint sponsorship US proposals and negotiations London Geneva and Havana. Could not take responsibility killing conference now near final agreement among fifty countries. Would jeopardize ERP legislation, imperil prospects international economic cooperation. Said

further had no authority modify present draft article 23 British government would have to take matter up directly in Washington.

Believe it unnecessary to yield to British pressure on any point. All other countries of Commonwealth and all countries of Europe are now in line supporting compromise acceptable to most Latin Americans all Arabs all Asiatics. If UK does not come along will be isolated in conference. [Wilcox.]

NORWEB

560.AL/2-2748: Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*

SECRET      PRIORITY  
NIACT

HABANA, February 27, 1948—2 p. m.

249. For Clayton from Wilcox. Will have complete agreement on all outstanding issues within next 3 or 4 days. On basis present understandings final act will be signed by some fifty countries excepting Swiss, probably Argentina, possibly one or two other Latins. UK now making desperate last minute attempt to extract additional concessions or prevent successful conclusion of negotiations. Comments on points raised London's 726 February 25 follow:

I. *Specific Points*

(a) *Non-discrimination.*

London's 2(a), 3(2) and 4(a).

Draft Article 23 on non-discrimination which has been agreed unanimously in working party and has now been formally circulated here for action by sub-committee was negotiated by Clayton with British and French February 18 and 19. Subsequently considerable number of drafting changes were agreed upon principally to provide clarifications requested by British delegation. London's statement that main difficulty involves 15 February 1948 basis for transitional discrimination is incomprehensible here. London evidently seriously misconstrues text. Present text permits British for transition period all of discrimination permissible under London draft Charter, plus all of discrimination permissible under Geneva draft Charter, plus any additional discriminations existing on 15 February 1948, plus adaptations thereof. This has been made entirely clear in draft worked out with full collaboration and approval by British delegation. Having reached complete agreement on article with all Europeans and Commonwealths and with no dissent from any other delegation which has seen text, it is inconceivable that we should ask fifty countries assembled here to await a new bilateral negotiation between US and UK on Section 9. For ten weeks here we stood firmly for Geneva

draft against combined attacks by many Europeans including British. Finally we brought forward new draft on basis of which Clayton quickly negotiated agreement with British, Europeans, and Commonwealths. Could not undo this solution now without returning conference to impasse in which it languished for months.

*(b) Protective quantitative restrictions for developmental purposes.*

London's 2(b), 3(1), and 4(b).

Cripps' objection here is to compromise drafted by delegates of US, UK, France, Austria cleared with all countries of Commonwealth and Western Europe, negotiated by Clayton with Latin Americans, and accepted by all other undeveloped countries. Is true that draft is inconsistent in principle with Washington proposals. But not inconsistent with compromise Charter texts adopted in London and Geneva with active participation and agreement UK delegates.

Statements that present draft involves "substantial breach" or "serious loophole"; that it "releases all of the less well developed countries from provisions of Charter"; that it enables them to impose restrictions unilaterally without receiving advance approval; that it gives ITO no subsequent control, are all untrue.

Fact is all products covered by trade agreements remain under tight control. Provisions in question, therefore, relate only to minor part of trade not covered in agreements. Here prior approval required in all cases. But given automatically in two limited cases: (1) Industries first established during war, and (2) industries whose markets have been taken away by new or increased restrictions imposed abroad. But even here ITO can fix any time limit it chooses on use of QR and any renewal must be sought under tighter provisions satisfying numerous and difficult criteria.

Present draft of Article 13 is the one crucial compromise which will enable us to obtain almost complete agreement between developed and undeveloped countries here. This may be reason Cripps has singled it out for attack. Draft is acceptable to all other industrial countries.

*(c) New preferences.*

London's 2(c), 3(1), and 4(c).

Present draft of Article 15 is inconsistent with original Washington proposals. So were earlier drafts of same article which UK delegates accepted in London and Geneva. Present text drafted in full collaboration with UK delegate is designed to secure adherence of Arab states and Central American Republics whose trade, among themselves, has no great economic significance; is accepted for this purpose by all other industrial countries.

Statements that criteria are "loose"; that release is purely "automatic"; that arrangements are not subject to "close control", are all

untrue. Opinion here is that present draft is much tighter than London-Geneva drafts since we would certainly have been defeated on requirement in brackets for two-thirds vote.

Under draft, ITO must judge whether arrangement "necessary" to establish "sound and adequate" markets for new industries for each participant in new preferential arrangement. Can order applicants to negotiate with any member who would be injured by arrangement. Holds participants to MFN rates bound in trade agreements unless released by other parties to agreements. Binds preferential margin. Forbids departure from details of proposed arrangement.

UK is not really objecting to above provisions. But is complaining that definition drawn to meet cases of Arabs and Central Americans will not let UK set up new preferences with colonies by majority vote in ITO, but would require two-thirds vote. Holmes presented this case yesterday at meeting US delegation office with all Commonwealth and Europe. Australia and New Zealand flatly rejected UK position. Canada and South Africa remained silent. Europeans just smiled.

Argument that article would be unjust to UK completely untenable. Charter permits British Commonwealth to retain preferential system vitally affecting major part of world trade without prior ITO approval. Forbids Arabs and Central Americans to establish preferences with insignificant effects on world trade without prior ITO approval.

In connection with (b) and (c) above, it should be noted that all Latin Americans and other undeveloped countries complain that Charter has been heavily slanted towards interests of UK, against interests of undeveloped areas, since it leaves former free to use QR and preferences and requires latter to get ITO permission to use them. In connection with (a) above, it should be noted also that Western Europeans, particularly Belgians and Dutch, complain that U.S. invariably sacrifices their interests whenever UK insists. In going along with UK on discrimination issue, we nearly lost Belgian and Dutch support for whole Charter. We could not now yield to British pressure without alienating most countries in world.

## II. *General Comments*

Cripps suggests adjournment Habana Conference for 2 or 3 months either to enable London to inform itself on developments fully known to UK delegation here or to enable London to attempt to extract from Washington some concessions beyond those sought by UK delegation here. . . .

When I suggested adjournment as one possible course of action 2 months ago, Washington instructed me to press negotiations until satisfactory Charter approved by majority of countries here. Adjourn-

ment might have been possible then. It is impossible now. Fifty countries are ready to sign the final act of this conference within the next few days.

If conference is not adjourned, Cripps threatens UK will not "sign the Charter". Of course nobody will "sign the Charter" at Habana. Delegates will merely sign final act of conference authenticating text. Governments will not be bound until parliaments ratify. Cripps probably means UK would not sign final act. Cannot believe he would . . . carry out this threat.

UK Government has been publicly committed as full partner of US in this project from Atlantic Charter in 1941 and Lend-Lease Article VII in 1942, through A-A loan agreement and jointly sponsored proposals in 1945, London Conference 1946, Geneva Conference 1947, and in 16-Nation report on ERP last fall. Agreement now within reach here essential to support Bretton Woods agreements and widely heralded as necessary aftermath of ERP. In scope, variety, detail, importance, will surpass anything in previous history of international economic relations. Conference will be universally acclaimed as first important one to be brought to highly successful conclusion since San Francisco and Bretton Woods. It is incredible that UK, with no support from anyone, would assume the responsibility of attempting to scuttle it at the eleventh hour.

In my judgment, the present Government of the UK, while giving lip service to the principles of multilateral trade, really believes that Britain can never face free competition and must seek sheltered markets through preferential arrangements, discriminatory bilateral contracts, and barter deals. For that reason, it has never wanted the Charter to be adopted or the ITO to be set up. The UK delegates have not given the US delegation whole-hearted or effective support at London, Geneva, or Havana. The UK has apparently assumed that agreement, among so many countries, on so many vital issues, could not be obtained. Now that it is in hand they are seeking to destroy it. Fortunately they are too late.

You will recall that Cripps threatened to walk out on the Geneva negotiations last summer unless we would give British complete freedom to discriminate for a year. We capitulated. Subsequently he refused flatly to carry out the commitment of his government to negotiate in good faith for the elimination of preferences. We capitulated again. Now he is employing the same tactics. But the situation is radically different. Everything is out in the open. He cannot get his way in secret. He is completely isolated—from the rest of the Commonwealth, from the countries of Europe, from all the undeveloped countries of the world. We do not have to give him anything. The UK will not move to adjourn the conference. It will sign the final act.



At this late hour it is undesirable and indeed impossible to transfer these negotiations to London or Washington. It must be remembered that this conference has been going on for more than three months and 56 other delegations are involved. If Cripps or Harold Wilson would fly to Havana, Clayton might meet him here. But he could scarcely get here in time to influence the final agreement in any way.

It would appear that only thing we can do under circumstances is explicitly to refute each of the British arguments under paragraph (a) above, flatly to reject the proposal that conference be adjourned, and emphatically to demonstrate it is impossible for Cripps to carry out his threat not to sign final act. This should be done soonest. The Havana streamroller cannot be stopped.

Repeated London for Douglas; sent Department 249. [Wilcox.]

NORWEB

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560.AL/2-2748: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET      US URGENT      WASHINGTON, February 27, 1948—7 p. m.  
686. Gerdel 3 for Saltzman and Martin.

1. Continue to press further for a protocol (re urtel 705, Feb. 24). GATT meeting will continue into first part of March. Urgent action by British and French still essential.

2. Re para 3 urtel. We expect to proceed with MFN provision relating occupied areas in bilateral aid agreement unless any protocol which may be adopted is sufficiently binding and wide in coverage to make commitment in bilateral agreement unnecessary.

3. Re para 4 urtel. Commitment clearly limited to occupation period would be acceptable.

4. Re para 9 urtel. Protocol confined to Germany only would not be satisfactory. Japan and Korea must also be included.

Sent to London as 686, repeated to Havana as 272.

MARSHALL

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560.AL/2-2748: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET      NIACT      WASHINGTON, February 28, 1948—noon.

690. For Douglas from Clayton and Thorp. Re urtel 726. Feb 25. Dept completely in accord with position stated and action recommended Habana tel 249, Feb 27 repeated to London. Pls proceed discussions with British officials on basis indicated last paragraph Habana tel 249. We leave presentation this position to your judgment.

We are anxious that presentation be made in manner best calculated to avoid antagonism and to minimize effect on our cooperation with British on other issues.

Sent London as 690, repeated Habana as 275. [Clayton and Thorp.]

MARSHALL

560.AL/2-2848 : Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*

SECRET NIACT

HABANA, February 28, 1948—3:40 p. m.

PRIORITY

256. For Clayton from Wilcox. UK has had meetings of subcommittee to adopt Havana text Article 23 cancelled since Wednesday. Could get text approved by all but UK whenever we force meeting. Thompson McCausland<sup>1</sup> flew to London yesterday. Will explain text to British Government. If you have no objection will inform Holmes US will insist on subcommittee meeting Thursday March 4. This is latest day to enable us to complete action next week. Involves week's delay here. Gives London 3 days to consider Thompson McCausland's report and instruct UK Delegation. We must maintain present momentum to hold our other gains. [Wilcox.]

NORWEB

<sup>1</sup> Mr. L. Thompson-McCausland was brought back from Habana "to advise the President of the Board of Trade on interpretations." (Despatch 706 from London, March 18, 1948/560.AL/3-1848)

560.AL/3-248 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET US URGENT

LONDON, March 2, 1948—midnight.

830. Presentation ITO problem made in manner suggested Deptel 690 and position fully explored with British officials who are fully aware of US views about urgency of situation but insist on full consultation among Ministers in view of political implications any action taken. Main issue is Article 23 on which British Ministers meet tomorrow and we should be able to report fully immediately after their meeting. Issue is likely to be clarification of text.

British officials state that Articles 13 and 15 may not present so much difficulty as Article 23, always providing that Article 23 may be clarified and satisfaction given in some way to their insistence that in Article 15 the British Empire should be able to be treated as a region and we understand from British that a move to achieve this has started in Havana.

For information USDel only, British *aide-mémoire*,<sup>1</sup> still unofficial not cleared with Ministers, concentrates on paragraphs (b) and (c) under paragraph (1) of present text Article 23 which British feel establishes three different sets of rules without certainty which rule applies any given case and leave text open to so many doubts that it contains many possibilities of friction US-UK particularly with reference Section 9. British feel that "the assurance which the present text is intended to convey can in practice only be given by a simple provision to the effect that during the transitional period a country which is imposing import restrictions to safeguard its balance of payments may deviate from the strict rules of non-discrimination." This to be subject to controls stipulated in latter part of paragraph 1 (c) of Havana text. This forwarded as possible assistance USDel appraising situation and not intended represent British proposal, which will be transmitted next message.

Sent Department 830, repeated Habana 7 for Wilcox.

DOUGLAS

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<sup>1</sup> See telegram 860, March 4, from London, p. 884.

560.AL/3-348 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET US URGENT

LONDON, March 3, 1948—1 p. m.

836. British position ITO problem now more clear (reEmbtel 830 to Department and 7 to Habana).

1. British will go along on Article 13.
2. British face serious political risk in Parliament unless way found in Article 15 meet requirement that Commonwealth must be able to be regarded as an economic region under paragraph 3(a). Understand this under negotiation Habana and British hope USDel would give some help without so much risk.
3. British feel both sides House Commons will be deeply suspicious of Article 23 and unless government able give clear explanation of how UK covered by transitional provisions there would be real danger that charter would be rejected. Present text allows no clear explanation and therefore not acceptable paragraph 1(b) (originally intended give UK necessary freedom under IMF rules but Habana discussions indicate IMF will interpret narrowly and British expectation disappointed.) Many doubts also about paragraph 1(c) down to phrase "the organization may, etc." British urge redraft subparagraphs (b) and (c) and state "we are of the opinion that assurance which present text intended convey can in practice only be given by simple

provision to effect that during transitional period a country which is imposing import restrictions to safeguard balance of payments may deviate from strict rules of non-discrimination. Manner of applying restrictions under this provision should be subject to right of organization to make representations in exceptional circumstances and require termination of unjustifiable discriminations as in latter part paragraph (c) of Habana text. Such provision in place of sub-paragraphs (b) and (c) would be simple, comprehensible and likely produce least possible friction. Would moreover conform with relevant paragraph US proposals".

Embassy feels British insistence revision Article 23 involves two political risks for US: (1) Risk of trying simplify text at present stage of conference and throwing it open to debate; (2) political risk vis-à-vis Congress in accepting simple categorical statement of exceptions to non-discrimination rule as against more involved statement, particularly with trade agreement program coming up.

Ambassador meeting Cripps briefly early tomorrow morning discuss balance between British and US political risks. Telegraph most urgently views Department and USDel on importance US risks against British risks. Imperative your message reach London tonight. Ambassador will telegraph immediately after Cripps conference.

DOUGLAS

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560.AL/3-348 : Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*

SECRET      US URGENT

HABANA, March 3, 1948—6 p. m.

270. For Douglas from Wilcox.

1. Re point raised in paragraph 2 Embtel 8 March 3,<sup>1</sup> Article 15 rearranged at suggestion UK delegate so appearance is less objectionable. Still permits UK to set up new preferences approved by two thirds vote of organization. Also permits new preferences approved by majority vote where "all parties belong to the same economic region." US delegate persuaded Latins and others opposing UK position to accept following interpretive note for inclusion in text: "the organization need not interpret the term 'economic region' to require close geographical proximity if it is satisfied that a sufficient degree of economic integration exists between the countries concerned." This leaves possibility ITO could decide parts of Empires belong to same economic region. Would be impossible to get Havana Conference of [or?] US Congress to accept more than this.

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<sup>1</sup> Same as London's telegram 836, *supra*.

2. Re point raised in paragraph 3 Embtel 8 and paragraph 3 Embtel 7 March 2 "simple provision" suggested by British cannot be considered. It would permit unlimited introduction and expansion of discrimination during transition period. We do not feel we could even submit such a provision to Congress let alone defend it. New Article 23 consistently with 1945 Anglo American proposals, parallels Fund transition period arrangement closely. It expands latitude for discrimination by two additional alternative texts in paragraph 1(c), Thompson-McCausland clearly understands how three bases can be used interchangeably in practice without need to define boundaries of each in advance. Without question, Havana text offers wider range of transitional discrimination than Washington proposals, London text, or Geneva text. Astonished at statement "Havana discussions indicate IMF will interpret narrowly". Whole question of narrowness of Fund interpretations raised here was political attempt by French to extract some endorsement of their defiance of Fund on franc devaluation matter. How British can now adopt French position after spearheading Fund's action on franc question is incomprehensible. Matter has no relevance to question of Article 23. On question section nine, we cannot see how new text of 23 would make any proposed section nine negotiations more difficult than either Geneva or London texts of same article.

3. Re Embassy's question on political risks:

a. All delegates here now know British position Article 23 is remaining obstacle to completion conference. European delegates anxiously urging early action. Latin American delegates insisting US stand firm and offering unanimous support. Cannot accede UK position without alienating most other delegates.

b. Washington, London and Geneva drafts preceded present draft of Article 23. Acceptance of fourth draft cannot be defended before Congress unless we can argue it is substantially same as original Washington draft. Acceptance UK position would destroy this argument and make it impossible to defend Charter in U.S.

c. Renewal trade agreements act now before Congress. If sort of article desired by UK were substituted for present provisions on non-discrimination, with no quid pro quo, trade agreements legislation would be seriously endangered.

Repeated to Department for Clayton and Thorp from Wilcox as 270; sent London unnumbered. [Wilcox.]

NORWEB

560.AL/3-448: Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET      US URGENT  
NIACT

LONDON, March 4, 1948—1 p. m.

860. Final British position ITO charter established this morning at conference Cripps and Ambassador Douglas. (Unnumbered March 3 from Havana, repeated Department 270).

1. Accept Article 15 provided interpretive note included in text as in Havana's numbered paragraph 1.

2. Cripps handed Ambassador formal *aide-mémoire*<sup>1</sup> of which substance cabled Embtel 8 to Havana, 836 to Department. Essentially this is strong plea for clarification and simplification paragraphs 1 (b) and 1 (c), which USDel states cannot be considered. Nevertheless this represents most desirable solution from British viewpoint.

3. As final possible alternative Cripps suggested following text to be inserted at end of first sentence of paragraph 1 (c) of Article 23: "provided that if a member was limited on the 15th February 1948 in such deviation by reason of any agreement with another country, such member shall, for the purposes of this paragraph, be entitled to do anything which, [but] for such limitation, could have done on that date". This was drafted by Cripps personally in early hours of morning. He indicated that if this additional concession to protect British position were made he would accept balance Article 23 in present draft, since he recognizes US political difficulties especially if Article 23 were to be redrafted at this stage of conference.

4. British officials indicate report dated February 25 of working party on Article 23 numbered paragraph eight contains an interpretation which would be of great value in London in meeting political problem in Parliament. They regard it as very important for UK to have this statement on record as part of conference report deemed to have been approved in the plenary.

5. Embassy comments that Cripps offer made on his personal initiative overriding BOT officials who strongly favor clarification formula. It is obvious that Cripps in drafting this clause is attempting remove special disability of UK under Article 23 in view of concurrent limitations applicable under Section 9 of US loan agreement and parallel provisions of Canadian loan agreement.<sup>2</sup> Relief from this disability is the price he asks for acceptance of the other aspects of Article 23 which presents serious political difficulties to UK.

DOUGLAS

<sup>1</sup> Not printed.

<sup>2</sup> For documentation regarding the Anglo-American financial agreement, see *Foreign Relations*, 1945, vol. VI, pp. 1 ff., and *ibid.*, 1947, vol. III, pp. 1 ff.

560.AL/3-448: Telegram

*The Secretary of State to the Embassy in the United Kingdom*SECRET      US URGENT  
NIACT

WASHINGTON, March 4, 1948—9 p. m.

760. For Douglas from Clayton (For delivery before 9 a.m.) Dept and USDel consider proviso suggested by Cripps (urtel 860 Mar 4) wholly unacceptable.

If limiting agreement referred to in proviso is interpreted to apply only to Anglo-U.S. financial agreement, the proviso would give British wider freedom to discriminate than any other country since other countries would be confined to continuance or adaptation of restrictions in force on Feb 15, 1948, but British would not be limited in any way. Para B would be nullified so far as they are concerned. Our agreement to any such provision would be regarded as a complete sellout by other countries at Habana, particularly Belgians, Dutch and Latin Americans. Any discrimination against British under present draft is more apparent than real, as under Article 14 of Fund Agreement they could do practically anything they could legitimately desire. Moreover, in any case where conditions on a base date are made the test, there is bound to be a difference in the treatment of different countries.

If limiting agreement referred to in proviso is interpreted to apply to any agreements providing for most-favored-nation treatment, such as U.S. trade agreements and commercial treaties, the exoneration would be so widespread as practically to render Art 23 meaningless.

The proviso could be used as a lever by British to nullify Section 9 of the Anglo-U.S. financial agreement. This is a matter which should be handled in separate U.S.-UK negotiations, and collateral attack on the agreement through Charter is unacceptable.

Resolution this question urgent as atmosphere Habana cordial and all points except this one will be settled Friday or Saturday.

Sent London as 760. Repeated niact Habana as 302. [Clayton.]

MARSHALL

560.AL/3-448: Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*SECRET      US URGENT  
NIACT

HABANA, March 4, 1948—11 p. m.

278. For Douglas from Wilcox.

1. British agreement Articles 13 and 15 are of great assistance in completion negotiations Habana. USDel appreciates Embassy's help.

2. Cripps suggestion Paragraph 3 urtel 9 March 4<sup>1</sup> would allow British unlimited freedom to introduce and expand discriminations and give them greater liberty than other countries on sole ground that British were obligated under Section 9 loan agreement not to discriminate. Am informed Department cannot accept proposal.

3. Exceptions to rule against discrimination may be provided either (a) by reference to historical base or (b) by establishing criteria.

(a) Method employed in London and Habana drafts of Charter inevitably gives some countries greater latitude than others leaves British less latitude than some but more than others. This approach politically unattractive to British Government because extent discrimination on base dates affected by Section 9 loan agreement. Is preferred however by continentals.

(b) Second approach would place all countries on same footing. Was spelled out in Geneva draft by British. Is now unacceptable to continentals. Would be preferred by Canadians and possibly others. Has political advantage for Britain because rules are affected in no way by provisions of loan agreement.

4. Suggest you sound out Cripps attitude toward following proposal: We insert both (a) Habana and (b) Geneva drafts in text and permit member entering ITO to elect either set of rules for its transitional period. (Would eliminate sentence on GATT from Habana Paragraph 1(c) might incorporate Geneva alternative by reference, printing text in annex. (Device would give UK choice between advantages of Habana and Geneva drafts and enable British Government to tell Parliament they would not be bound by Charter to operate under any rules affected by commitments in loan agreement.)

5. Text based on foregoing proposal would appear unattractive in US and make defense of Charter more difficult but believe we should consider going this far if acceptance Charter by British Government thus made easier.

6. Conference will probably complete committee work all other outstanding questions by Saturday night. Attention now focused on British position Article 23 as only obstacle to completion conference.

Repeated to Department for Clayton and Brown from Wilcox as No. 278, sent London unnumbered. [Wilcox.]

NORWEB

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<sup>1</sup> Telegram 860 from London, p. 884.



560.AL/3-548: Telegram

*The Ambassador in the United Kingdom (Douglas) to the  
Secretary of State*

SECRET      NIACT

LONDON, March 5, 1948—7 p. m.

890. President BOT has considered Havana proposals (Havana un-numbered March 4, 11 p. m.,<sup>1</sup> Deptel 772, March 5<sup>2</sup>) and will recommend acceptance this solution to his colleagues but indicates he would wish see exact text of Article 23 as finally amended. Embassy understands British acceptance not formally cleared with Cripps but have every reason believe he concurs.

In accepting US proposal British understand: (a) They have clear option operate for duration their transitional period under terms relevant paragraphs Geneva Article 23.

(b) Their right to operate under Geneva text not limited by any provisions in paragraphs 1 (b) and 1 (c) of present Havana text;

(c) US delegate aware of British doubts re precise meaning paragraph 1 (b) (II) of Geneva Article 23 and British stipulate these doubts be removed by interpretive note to new Article 23 in following terms: "It was understood that a member operating in accordance with the provisions of Article 43 (I) (b) would *not* be precluded from operation under this Article."

Instructions to Holmes to negotiate with Wilcox on above basis now going forward Havana.

Sent Department 890; repeated Havana 11.

DOUGLAS

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<sup>1</sup> This is identical with telegram 278 from Habana, *supra*.

<sup>2</sup> The Department in telegram 772 to London, March 5, 1948, not printed, concurred in Wilcox's suggestion in telegram 278 from Habana, *supra*.

560.AL/3-1148: Telegram

*The Chargé in the United Kingdom (Gallman) to the Secretary of  
State*

SECRET      US URGENT  
NIACT

LONDON, March 11, 1948—8 p. m.

1011. For Ambassador Douglas<sup>1</sup> and Brown from Bliss.<sup>2</sup> BOT presented Embassy tonight with memorandum<sup>3</sup> following meeting cabinet committee on question of difficulties between US and UK delegates

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<sup>1</sup> Ambassador Douglas was in Washington to participate in the "Pentagon Talks" on security. For documentation, see vol. v, Part 1, pp. 69 ff.

<sup>2</sup> Don C. Bliss, Counselor of Embassy for Economic Affairs at London.

<sup>3</sup> Not printed.

Havana over problem transitional period as between IMF provisions Havana text and paragraph 3 Geneva text in view of US insistence that both should apply. Memo states:

"We never understood the reference in the US communication of March 5 to rules to include the method by which the period of operation of the rules should be determined. We would, however, be ready to agree that either the period should be determined by reference to IMF provisions or by the provisions of the Geneva text. It would not be possible to defend in Parliament a text which put a double limitation on countries exercising the Geneva option. It is very much hoped that the State Department will be able to put this point to the USDel in Havana and ask them to work-out with the UKDel and others a form of text which makes this clear."

Memo also requests Department ask USDel support timetable which would not involve final decisions at committee stage in next two or three days. This because full Cabinet decision will be required not only on Article 23, but on other provisions including particularly Article 15 on new preferences which already indicated are causing great concern.

Embassy understands full text memo being cabled British Embassy Washington with Foreign Office instructions present Lovett tomorrow with strong representations re seriousness of situation. Apparently Wilson had rough time with Cabinet committee and must have some improvement with which to face full Cabinet on Monday. Sores point is Article 15 and preferences which British agree is not US fault and US assistance much appreciated but this is in effect knife-edge on which Cabinet acceptance of charter is balanced. Wilson feels that if he has to overcome added difficulty of confusion over Article 23 it may be too much. What he needs is clear acceptable text Article 23 and time through Monday if he is going to put it over.

Since his message essentially political issue, not repeated Havana. [Bliss.]

GALLMAN

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560.AL/3-1148: Telegram

*The Ambassador in Cuba (Norweb) to the Secretary of State*

SECRET      US URGENT  
NIACT

HABANA, March 11, 1948—11 p. m.

308. For Clayton and Brown from Wilcox.

1. USDel prepared draft article 23 on basis proposal mytel 278 to Department (5 to London, March 4), accepted by President, Board Of Trade (London's 11 to Habana, March 5<sup>1</sup>) on conditions accepted

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<sup>1</sup> Same as telegram 890 from London, p. 887.

by USDel (mytel 6 of March 5 to London<sup>2</sup>). Despite assurance by American Embassy (London 13, March 9 to Habana<sup>3</sup>) Holmes has never admitted knowledge of Embassy's agreement with President BOT (March 5) and still professes to lack authority to negotiate. At his urgent request, USDel agreed postponement Working Party from Wednesday to Thursday this week. Today he requested indefinite postponement Working Party meeting until British Government could take matter up again "in Washington". USDel insisted on Working Party meeting and Holmes prevented action by filibuster.

2. Only objection Holmes has raised to USDel draft based on Embassy's March 5 agreement with President BOT follows: Under proposal, country can elect either Habana or Geneva rules for its transition period. Under either option length of a country's transition period would be determined by IMF. Period in controversy relates only to possible time between March 1952 and end of a country's transition period. During this interval, scope of permissible discrimination under Habana option would be determined by IMF, CEM [*sic*] and scope under Geneva option would be determined by ITO. British delegation calls this "dual control" by IMF and ITO, and claims British Government will not accept it. Asks instead removal of all control over scope of discrimination from Geneva option. This would give country electing Geneva option far greater latitude for discrimination than countries electing Habana option and would be completely unacceptable to continental countries and indefensible in US. Is important that two options be evenly balanced.

3. Only reasonable point in British criticism was following: IMF control over scope of discrimination from March 1952 to end of transition period under Habana option involved post-examination. ITO control for this purpose, in this period under Geneva option involved prior approval. Australians suggested changing latter Geneva provision to abandon prior approval and accept post-examination completely paralleling procedure IMF. Prior approval was great achievement Geneva but USDel agreed this proposal as final extreme concession to British position solely to achieve immediate complete agreement and terminate negotiations. Holmes now says UK will not even accept this.

4. Conference now at stage where further delay perilous. All other articles through sub-committees. Most other articles through main

<sup>2</sup> Wilcox in telegram 286 from Habana, March 5, not printed, and repeated to London as 6, accepted the three conditions proposed by Board of Trade President Wilson (560.AL/3-548).

<sup>3</sup> Chargé Gallman in telegram 933, March 9, not printed, repeated to Habana as 13, reported that after the new text of Article 23 was received in London, instructions were sent to the United Kingdom delegation in Habana. "Delay accounted for by necessity Cabinet decision which will be taken Thursday. BOT states nothing to worry about." (560.AL/3-948)

committees. Have reached semi-final or final conference decisions on all other major issues. Remaining work of routine character. Article 23 still in Working Party; has not even reached sub-committee. Holmes now proposes Working Party suspend operations for indefinite period. Such delay would prevent conclusion of conference before Easter, necessitate four-day recess, throw conclusion conference into April, overlap with Bogotá Conference. Seriously question whether we can hold 58 delegates in Habana beyond March 24. Danger is conference would go to pieces without conclusion.

5. Point nominally at issue would not seem to justify UK tactics. Believe UK purpose may be to use supposed desire of US to complete conference and get charter as means of extracting commitment for modification of Section 9 of loan agreement. UK points out loan agreement referred to future multilateral agreement and contends text accepted here would supersede provisions Section 9.

6. Following telephone conversations with Brown Thursday afternoon, have informed Working Party am authorized by US Government to state US will not negotiate further on Article 23 either in London or in Washington, but only in Habana with all delegates concerned participating. Canadians and Australians consider our position on substance entirely reasonable but reluctant to oppose UK request for further delays. Have offered to ask their governments to cable London supporting US position. USDel fears however delay would enable British Government to put pressure on dominions and on continentals in opposite direction. If sabotage continues USDel is considering circulating petition to discharge sub-committee and Working Party and bring question before full committee of conference. Such a petition might have unanimous Latin American support.

Repeated to London for information as 9. [Wilcox.]

NORWEB

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560.AL/3-1248: Telegram

*The Chargé in the United Kingdom (Gallman) to the  
Secretary of State*

SECRET US URGENT

LONDON, March 12, 1948—noon.

1015. For Ambassador Douglas and Brown from Bliss. Embassy message last night crossed your instructions (Embtel 1011, March 11, 8 p. m.; Deptel 862, March 11, 6 p. m.).<sup>1</sup> Development yesterday in Cabinet unexpected and contrary to assurances given me personally

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<sup>1</sup> The Department's instruction in telegram 862 reads as follows: "If British should approach you to reopen agreement reported Embtels 890 and 933 you are instructed to advise them that negotiations this point are being conducted in Habana." (560.AL/3-948)

by Wilson reported Embtel 933.<sup>2</sup> British agree with us that Article 23 negotiations must be conducted Habana and BOT memo intended chiefly as background to political problem which has arisen London and presented in Embtel 1011 as such. Both Bevin and Cripps involved here and we believe high level political decision necessary somewhat apart from Habana negotiations. [Bliss.]

GALLMAN

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<sup>2</sup> See footnote 3 in telegram 308 from Habana, March 11, p. 889.

560.AL/3-1248: Telegram

*The Chargé in the United Kingdom (Gallman) to the  
Secretary of State*

SECRET      US URGENT  
NIACT

LONDON, March 12, 1948—10 p. m.

1035. For Amb Douglas, Clayton, and Brown from Bliss; for Wilcox from Bliss. Upon receipt Havana's 9 March 11;<sup>1</sup> considered it desirable convey to BOT officials substance second and following paragraphs beginning "only objection Holmes has raised" and ending "not even accept this", with comments on urgency. BOT most grateful for clarification and after conversation with Havana by telephone state:

"Our information is that the Australian suggestion put forward by Phillips<sup>2</sup> in the working party on Tuesday March 9 was rejected by Bronz. We could accept it if US would."

Action taken here and this reaction forwarded as of possible assistance to Havana negotiations on article 23.

Re section 9 during film negotiations<sup>3</sup> I mentioned it in that connection and Wilson who had just come from Cabinet meeting on Charter said "don't talk to me of section 9" from which infer that Cabinet gave him rough time on that question. Nevertheless Wilson and BOT have not mentioned it since Cripps' proposal was turned down and apparently British have accepted our refusal consider it.

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<sup>1</sup> Telegram 308 from Habana, March 11, p. 888.

<sup>2</sup> J. G. Phillips, Representative of the Australian Treasury Department, employed by the Commonwealth Bank.

<sup>3</sup> In order to conserve dollars the British Government, on August 6, 1947, imposed a 300% *ad valorem* duty on imported films. The valuation method resulted in a 75% tax on net earnings which would have otherwise been remitted abroad. American film makers were most concerned. On March 11, 1948, representatives of the United States motion picture industry negotiated an agreement with the British Government which provided that the former rates of duty were to be restored; that \$17 million of earnings per year for U.S. film showings would be remitted for two years; and that sterling uses of revenues in excess of remitted amounts would be permitted. The four year agreement was to be reviewed after 2 years, at which time conditions were to be set for the remaining two years.

Tonight BOT unable assist further on timing except for effort clear article 23 at Havana and must await Cabinet decision Monday on Charter as whole. Ministers not available meantime. [Bliss.]

GALLMAN

560.AL/3-1248

*Memorandum of Conversation, by Mr. Leonard Weiss of the Division of Commercial Policy*

SECRET

[WASHINGTON,] March 12, 1948.

Participants: Mr. Anthony E. Percival, Counselor, British Embassy  
Mr. W. G. Brown, ITP  
Mr. L. Weiss, CP

Mr. Percival came in to discuss Article 23 of the Charter dealing with discrimination for balance of payments reasons and in this connection presented a letter from the British Ambassador<sup>1</sup> addressed to the Secretary of State.<sup>2</sup>

The letter was concerned with two points: (1) the presumed dual control by both the Fund and the ITO over discrimination under the Geneva rules to be incorporated into the new Article 23 in contrast to only single control by the Fund under the Habana draft of these provisions, and (2) a request for postponement for several days of any decision by the Habana Conference on these provisions so as to afford the British Cabinet time to consider the problem. On the latter point Mr. Brown, on the basis of information received from Mr. Wilcox at Habana, assured Mr. Percival that a decision could be postponed until next Tuesday, thus meeting the British request. Mr. Percival expressed his appreciation for the postponement. Mr. Brown emphasized the urgency of settling the problem as soon as possible and coming to a decision on next Tuesday.

With respect to the question of dual control, it was pointed out to Mr. Percival that in the case of both the Geneva and Habana rules incorporated in the new Article 23 the International Monetary Fund would be responsible for determining the end of the transition period and thus both sets of rules were on an equal level in this respect. During the transition period the Fund would be responsible for determining the permissible degree of discrimination under the Habana rules, whereas the ITO would be responsible for determining the latitude of discrimination under the Geneva rules. Under both sets of rules only one body would be responsible for determining the degree of discrimination and hence they were on an equal level in this respect also.

<sup>1</sup> Lord Inverchapel.

<sup>2</sup> Not printed.

Mr. Percival was inclined to agree with our interpretation of the Habana and Geneva texts on discrimination for balance of payments reasons and indicated that he would pass this interpretation on to his Government.

Mr. Percival suggested, however, that the British considered dual control to exist under the Geneva rules in the sense that both the Fund and the Organization were given powers which affected a Member's ability to discriminate, the Fund by being able to terminate the transition period and the Organization by determining the degree of discrimination within the transition period. This contrasted with the Habana rules under which only one body, the Fund, had any responsibility regarding the determination of both the scope and the duration of discrimination. It was pointed out in reply, however, that our Delegation at Habana considered only single control to exist even under the Geneva rules in the sense that only one body, the Fund, determined the duration of the transition period and only one body, the Organization, determined the permissible degree of discrimination within the transition period.

It was strongly emphasized to Mr. Percival that the negotiations regarding these provisions should be conducted in Habana and not in either Washington or London. It was pointed out that the respective delegations of the United Kingdom and the United States and the various experts on these provisions were available in Habana, that the U.S. Delegation has full authority and the complete support of the Department, and that to shift the negotiations away from Habana would cause only confusion and delay. Mr. Percival agreed that the proper place for the conduct of these negotiations was Habana and not Washington or London.

Mr. Brown stressed the fact that the U.S. had already gone a long ways to meet the British by our willingness to agree to the elimination of the prior approval requirement from the Geneva Draft of Article 23 and the insertion of an interpretative note on new preferences in accord with British desires. Mr. Percival indicated he was personally convinced our position was correct.<sup>3</sup>

Later that evening Mr. Percival called Mr. Weiss regarding further questions which had arisen in his mind on the problem of dual control under the Geneva Draft of Article 23. Mr. Percival stated that although he agreed with our interpretation to the effect that there was

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<sup>3</sup> In telegram 338 to Habana, March 12, not printed, the Department informed the Delegation about this conversation with Mr. Percival, quoted portions of the British memorandum, and noted that: "Inverchapel phoned Douglas in absence Marshall and Lovett requesting his support British position." (560.AL/3-1248)

no dual control of the degree of discrimination in the transition period, he nevertheless felt, after reading the record of the negotiations at Habana and other information available to him, that confusion on this point still existed both in London and in Habana. He quoted a statement made by Mr. Bronz at the Habana Conference which suggested that there was dual control over the degree of discrimination under the Geneva provisions. He pointed out that it would be of great assistance in reaching agreement if he could point out definitively to his government that there was no dual control. He therefore urged most strongly that the Department either cable or telephone Mr. Wilcox to determine conclusively whether such dual control existed or not. Mr. Percival indicated that he would then transmit this information to his Government.

Mr. Weiss replied that (1) Mr. Wilcox had already been telephoned on this point earlier in the day and very clearly indicated that there was no dual control over the scope of discrimination under the Geneva provisions; (2) if any confusion still remains as to whether dual control exists or not, the proper place to clear the matter up is between our respective delegations at Habana. To attempt to obtain interpretations of these provisions from Habana and then to transmit such interpretation to Mr. Percival who would then presumably pass them on to London would be an extremely awkward procedure and might serve only to compound the existing confusion. In view of the foregoing, Mr. Weiss indicated that he believed it undesirable for Washington to intervene further in the negotiations at Habana and suggested that the problem be taken up directly by our respective delegations at Habana.

Mr. Percival continued to press further that the Department contact Mr. Wilcox in order to obtain an answer as to the question of dual control and urged that Mr. Weiss consult with other persons in the Department as to the advisability of doing this. Mr. Weiss agreed to talk with other people in the Department and to call Mr. Percival back.

Mr. Weiss thereupon telephoned Mr. Brown and presented the problem to him. Mr. Brown stated most strongly his belief that further discussion on this provision should be conducted at Habana and not in Washington and that to attempt to do otherwise would only confuse the situation further. Mr. Weiss telephoned Mr. Percival and informed him of Mr. Brown's views.<sup>4</sup>

<sup>4</sup> On March 15, Ambassador Douglas, then in Washington, and at the request of Secretary Marshall acknowledged the Inverchapel letter that had been presented by Mr. Percival, and said: "I should like also to confirm what I said to you over the telephone, and what Mr. Brown said to your Mr. Percival—namely that the matter of reaching agreement on the text of the article is one which must be handled by our Delegations in Habana. The United States Delegation has full authority to reach this decision and the full support of the Department of State in the position which it is taking." (560.AL/3-1248)



*Editorial Note*

On March 24, the United Nations Conference on Trade and Employment came to an end with the signing of the Final Act which incorporated the Havana Charter for an International Trade Organization. The Charter was to enter into force after a majority of the signatory nations approved. If such conditions had not obtained within a year, the Charter was to take effect when certain specified conditions had been met. For text see United Nations document ICITO/1/4. Other copies of the text of the Final Act and Related Documents are available in these editions: (1) Department of State Publication 3117, *Havana Charter for an International Trade Organization and Final Act and Related Documents* (Washington, Government Printing Office, April 1947 [1948]); (2) a preliminary text which was issued in Habana in advance of signature (United States Delegation files, Lot 57D284, Box 105); and (3) copies of an authentic official edition which was reproduced from the text of the signature copy (United States Delegation files, Lot 57D284, Box 105). In September 1948 the Department of State issued a text with a *Guide to the Study of the Charter* (Publication 3206). In 1949 the United States Tariff Commission prepared a useful detailed analysis of the Havana Charter for the Chairman of the Committee on Ways and Means, House of Representatives, *Report on the Havana Charter for an International Trade Organization* (United States Tariff Commission, Washington, D.C., May 1949); a copy is in the United States Delegation files, Lot 57D284, Box 105. The Final Act included a series of resolutions among which was one which created an Interim Commission for the International Trade Organization.

The Department of State called the signing of the Charter a "momentous achievement". Statements made by President Truman, Secretary Marshall, Ambassador Austin, William Clayton, and by the Department on this occasion may be found in the Department of State *Bulletin*, April 4, 1948, pages 441-445.

In September, the Interim Commission published *Reports of Committees and Principal Sub-Committees*, ICITO I/8, a collection of reports of the principal committees which functioned at Habana. The publication's aim was "to provide a record of the principal discussions . . . give an indication of the origins of the various articles . . . explaining particularly the changes made in the Geneva draft" so as to preserve the comments or observations regarding the Charter text. These Committee Reports are also included in the United States Delegation files (Lot 57D284, Box 103).

There follows an extract from the Official Report of the Chairman of the United States Delegation to the Havana Conference, sum-

marizing aspects of the conference of particular interest to the United States.

International Trade Files, Lot 57D284, Box 105

*Extract From Official Report of the Chairman of the United States  
Delegation to the Habana Conference to the Secretary of State*

3. *Accomplishments of Special Interest to the United States*

A. *The fundamentals of the draft Charter established at the London and Geneva meetings of the Preparatory Committee were retained:*  
For example:

(1) The general principle of most-favored-nation treatment concerning imports and exports was established. This required successful opposition to 23 amendments providing sweeping exceptions for new regional preferences. It further required the defeat of repeated attempts to permit, without prior approval by ITO, the imposition of new tariff preferences to favor the development of new industries.

(2) Certain provisions protecting the rights and interests of foreign investors were retained despite numbers attacks and proposals for crippling amendments.

(3) The commitment to negotiate for the reduction of tariffs and the elimination of preferences, and the right to withhold tariff concessions from those countries which fail to live up to their commitment, were maintained. Amendments qualifying these principles were rejected.

(4) The principle of national treatment in internal taxation and regulation was established. Amendments permitting existing or new discriminatory taxes and new mixing requirements were defeated.

(5) Provision for equal treatment by foreign countries of American motion pictures in relation to other imported motion pictures was retained.

(6) The general rule against quantitative restrictions on imports or exports, subject to strictly necessary exceptions, was maintained. Numerous amendments to permit the use of such restrictions, without prior approval of ITO, for purposes of economic development were rejected. (See also Section D(2) below)

(7) Freedom to use quantitative restrictions where incidental to agricultural price support programs involving domestic controls, and not used to increase the share of domestic producers in the home market, was retained.

(8) The designation of the International Monetary Fund as the arbiter of all important questions affecting the availability of quantitative restrictions to safeguard the balance-of-payments was preserved.

(9) The general rule of non-discrimination in the administration of quantitative restrictions, where permitted and subject to strictly necessary exceptions, was maintained.

(10) Attempts to undermine essential safeguards and limitations on the discriminatory application of quantitative restrictions during the transition period were defeated.

(11) The subjection of state-trading enterprises to rules paralleling those applicable to the control of private trade was maintained.

(12) A detailed code designed to control "invisible tariffs" was accepted, governing such specific matters as:

- (a) Freedom of transit
- (b) Anti-dumping and countervailing duties
- (c) Valuation for customs purposes
- (d) Customs formalities
- (e) Marks of origin
- (f) Publication and administration of trade regulations
- (g) Information, statistics and trade terminology.

(13) A strengthened chapter was obtained to provide for international investigations, hearings, recommendations and national action with respect to restrictive business practices of public and private enterprises, possessing monopoly power in international trade or participating in international cartels. Amendments to exclude state-trading enterprises from the scope of this chapter and to cripple its provisions were rejected.

(14) A code defining the conditions under which inter-governmental commodity arrangements may be concluded and the principles to which they must conform was maintained. Amendments to permit agreements among producing countries alone, without equal voice for consumers, were rejected.

(15) A simple organizational structure for ITO was preserved.

(16) A provision was included whereby the contribution of the United States to the budget of ITO can be limited in accordance with whatever limitations may in the future be provided for in the United Nations budget.

(17) The capacity of ITO to settle economic disputes was sustained by the rejection of amendments designed to permit Members to go directly to the International Court of Justice and to appeal economic as well as legal questions to the Court.

(18) Amendments that would have made it much more difficult to bring the Charter into force were rejected.

*B. Certain modifications, of particular or exclusive interest to the United States, were obtained:*

For example:

- (1) An unsatisfactory article in the Geneva draft Charter regarding

the treatment of foreign investment was eliminated. In its place an article was adopted which gives to the United States a basis for obtaining new commercial treaties and to safeguard investors against unfair treatment by complaining to ITO that benefits of the Charter are being nullified or impaired.

(2) Under a reformulation of the exceptions to the rule of non-discrimination, the International Monetary Fund was given basic control over the exception permitting limited resort to discriminatory application of quantitative restrictions for balance-of-payments reasons.

(3) Greater latitude was provided for customs unions, free-trade areas, and transitional arrangements such as those required for the economic unification of Western Europe under the Marshall Plan.

(4) The requirement in the Geneva draft Charter of prior approval by ITO for export subsidies on primary products was removed. The articles on subsidies were revised to permit new export subsidies on primary commodities provided that they are not used to acquire more than an "equitable share of world trade" in the particular product. Under certain circumstances, the ITO may decide what is an "equitable share of world trade".

(5) Provision was introduced exempting commodity agreements for national security purposes from the requirements of the Charter.

(6) Provision was introduced to permit ITO to bring within the terms of the Charter, by majority vote, areas under Allied Military Occupation.

(7) The right to bring nullification or impairment complaints was limited by a new provision specifying that such complaints cannot be based on the grounds that the general purposes and objectives of the Charter have not been realized.

(8) An article was adopted to ensure a permanent seat on the Executive Board to the United States.

*C. Proposals which would have materially changed the purposes of the Charter were defeated:*

For example:

(1) Amendments to give ITO control over international migration and the treatment of migratory labor; to require social security legislation; to write a labor code into the statement of purposes.

(2) Amendments to oblige industrial creditor countries to supply capital funds, equipment and technical assistance to underdeveloped countries; to require ITO to recommend loans to the International Bank.

(3) Amendment to deprive foreign investors of diplomatic protection.

(4) Amendments to prevent countries in which investors live from taxing revenues from their foreign investments.

(5) Amendments designed to confine the Organization to purely advisory functions.

D. *Certain compromises were agreed to:*

For example:

(1) Permission for Members to appeal to ITO from a decision by the Contracting Parties denying admission to the General Agreement on Tariffs and Trade.

(2) Allowance for "automatic" prior approval by ITO of the use of import quotas for the development of new domestic industries in two limited cases; namely, industries newly established during the war and industries using local raw materials for which foreign markets have been reduced or eliminated by actions of other governments. This right is limited to a minority of products not governed by Trade Agreements and, moreover, a protection can only be given for a period subject to limitation by ITO.

(3) Permission to grant new tariff preferences on particular products for the development of new industries in neighboring countries, with prior approval by a majority of the Members of ITO but only if detailed criteria are satisfied. In cases where all criteria are not satisfied, a two-thirds majority vote is required.

#### 4. *Conclusion*

The Havana Conference laid the foundations for an International Trade Organization based upon principles which the United States has long advocated. They were expressed at London in 1945 by the Chairman of the United States Delegation at the meeting of the Preparatory Committee in the following terms:

"(1) that existing barriers to international trade should be substantially reduced so that the volume of such trade may be large—larger, certainly, than it was between the two world wars;

"(2) that international trade should be multilateral rather than bilateral;

"(3) that international trade should be nondiscriminatory;

"(4) that prosperity and stability, both in industry and agriculture, are so intimately related to international trade that stabilization policies and trade policies must be consistent, each with the other;

"(5) that the rules that govern international commerce should be so drafted that they will apply with equal fairness and with equal force to the external trade of all nations, regardless of whether their internal economies are organized on the basis of individualism, collectivism, or some combination of the two."

The Charter for an International Trade Organization is essential to complete the structure of economic cooperation under the United Na-

tions. The problems of employment, trade barriers, cartels, commodity agreements, and international trade policy generally must be dealt with concretely and on a firm foundation. If this is not done, material progress in other fields of economic cooperation under the United Nations will become increasingly difficult. Five years of careful preparation and international negotiation demonstrate that the Charter concluded at Havana is the best and most practicable agreement for the purpose that can be devised at this stage of our international relations. Viewed against the record of the inter-war years, the accomplishment of the Havana Conference is truly remarkable.

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### *Editorial Note*

Meeting concurrently in Habana February 28-March 24, 1948, was the First Session of the Contracting Parties (CP's) to the General Agreement on Tariffs and Trade (GATT). The Session was convened by the Secretary-General of the United Nations in accordance with Article XXV of the General Agreement which provided that "Representatives of the Contracting Parties shall meet from time to time for the purpose of giving effect to the provisions of this Agreement which involve joint action and, generally, with a view to facilitating the operation and furthering the objectives of this Agreement." The following Contracting Parties participated in the First Session: Australia, Belgium, Canada, Cuba, France, Luxembourg, the Netherlands, the United Kingdom, and the United States. In addition 14 countries attended as Participating Observers, having signed the Geneva Final Act but not yet put the Agreement into effect under the Protocol of Provisional Application (Brazil, Burma, Ceylon, Chile, China, Czechoslovakia, India, Lebanon, New Zealand, Norway, Pakistan, Southern Rhodesia, Syria, and the Union of South Africa).

The United States sent a delegation of five "representatives" to the First Session of the Contracting Parties, headed by John W. Evans of the Department of Commerce. The other four, functioning in an advisory capacity were: Honoré M. Catudal, John M. Leddy and Vernon L. Phelps of the Department of State, and Edgar B. Brossard of the United States Tariff Commission. Both Leddy and Phelps functioned on occasion as acting head of the Delegation.

Mr. Eric Wyndham White (a British national), Executive Secretary of the Habana Conference, opened the first meeting on February 28. Mr. L. D. Wilgress of Canada was elected Chairman of the Contracting Parties and Mr. A. B. Speekenbrink of the Netherlands was elected Vice-Chairman. The Contracting Parties met on 13 occasions subsequent to February 28, the final meeting taking place on March 20. All

of the meetings were in effect plenary in character. Four protocols and a "Declaration" were signed on March 24 at a joint meeting with the Habana Conference. (The Final Act of the Habana Conference and Related Documents were also signed at this joint meeting.) A summary of the accomplishments of this First Session of the Contracting Parties as based on a United States Delegation paper, is printed *infra*. A fuller recital of the protocols of the First Session is printed in Department of State Press Release Number 261 of March 31, 1948. Two "Reports" by the Head of the United States Representatives to the First Session, one official, the other confidential (Lot 57D284, Box 108, neither printed), together constitute a valuable reference file on the work of the First Session of the Contracting Parties. The Official Report provides a good over-view and the Confidential Report has quite detailed information on the organization, procedures and accomplishments of the conference.

One of the basic actions effected by the Contracting Parties at the First Session was the supersession of certain provisions of the GATT by the provisions of the new Habana Charter. In respect of one of two principal supersessions, the replacement of GATT Article XIV of the 1947 Geneva Conference (the Agreement) by the new Article 23 of the Habana Conference (the Charter), the United States was able to give its support although the general policy of the United States regarding supersession was to hold such changes "to a minimum pending expression of opinion by the American public and the Congress on the merits of the ITO Charter, as perfected at Habana" (Official Report, Lot 57D284, Box 108), in a word, to limit supersession to items of an emergency nature.

In this context the United States did not oppose a major effort mounted especially by the United Kingdom and France to re-cast Article XIV of GATT ("Exceptions to the Rule of Non-Discrimination") along the lines of Article 23 of the Charter which had just been definitively drafted at Habana (in conformance with United States thinking; see documentation pages 802 ff.) The documentation that follows the Summary of the Conference, *infra*, sets forth the United States position on this question at the First Session of the Contracting Parties and reprints *in toto* the new Article XIV of GATT, with Annex J appended thereto, in light of the importance of this article and its annex in subsequent GATT history in terms of permitted exceptions to the rule of non-discrimination for balance of payments reasons.

The official files of the United States Representatives at the First Session of the Contracting Parties is in Lot 57D284, Box 108. It is a very slim file, as is also the file of official GATT documentation contained therein. Both files are reflective of the newness and inexperi-

ence of the Contracting Parties to the General Agreement on Tariffs and Trade as they assembled and held the brief First Session at Habana.

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International Trade Files, Lot 57D284, Box 108

*United States Delegation Paper (First Session of the Contracting Parties)*

HABANA MEETING OF THE PARTIES TO THE GENERAL AGREEMENT ON  
TARIFFS AND TRADE

The first meeting of the parties to the General Agreement on Tariffs and Trade was held at Habana, Cuba from February 28 to March 24 pursuant to Article XXV of the General Agreement.

The following action was taken :

(1) Article XXIV of the General Agreement was amended so as to facilitate the formation of arrangements similar to customs unions.

(2) Article XIV of the Agreement was modified so as to incorporate new rules regarding discrimination for balance of payments reasons.

(3) Certain technical corrections were made in the schedules of tariff concessions.

(4) It was agreed to modify certain procedural requirements regarding the contemplated supersession of Article I and Part II of the General Agreement by the ITO Charter when the latter comes into effect as a result of ratification by governments.

(5) Certain provisions of the Agreement relating to the accession of new contracting parties were modified. These modifications permit countries to become contracting parties to the Agreement upon approval by two-thirds of the existing contracting parties and define the obligations between the existing contracting parties and the countries becoming contracting parties with reference to the undertaking of tariff negotiations and the application of the provisions of the Agreement.

(6) A decision was taken to permit France to conclude with Italy a customs union or interim agreement for such a union provided that the union or interim agreement conforms to specified requirements.

A second meeting of the parties to the General Agreement has been scheduled to be convened at Geneva not before July 1 and not later than August 15 of this year.



International Trade Files, Lot 57D284, Box 108<sup>1</sup>

*United States Delegation Position Paper (First Session of the Contracting Parties)*

SECRET

[WASHINGTON,] February 11, 1948.

*Attachment A-VIII*<sup>2</sup>—Supersession of Article I and Part II of General Provisions of GATT by corresponding ITO Charter provisions.

*Problem*

- a. Should the United States approve supersession?
- b. Should supersession become effective when the ITO Charter enters into force, or should GATT be amended to provide for earlier supersession?

*Recommendation*

- a. The United States should approve supersession.
- b. Supersession should become effective when the Charter enters into force, pursuant to Article XXIX, paragraph 2.

*Discussion*

a. On the assumption that the Charter provisions finally agreed upon at Habana will be acceptable to the United States, no difficulty is foreseen in agreeing to supersession of Article I and Part II of GATT as provided for in Article XXIX, paragraph 2 which reads as follows: "(a) On the day on which the Charter of the International Trade Organization enters into force, Article I and Part II of this Agreement shall be suspended and superseded by the corresponding provisions of the Charter; . . ."

Amendment of GATT to provide for earlier supersession should be opposed by the United States for the following reasons:

1. The corresponding provisions of the Charter, especially such key clauses as those regarding non-discriminatory import restrictions, seem likely to be weaker than those in GATT. We should endeavor to maintain the stronger provisions as long as possible.

2. Amendment of GATT to provide for earlier supersession would involve substantial drafting problems. Chapter IV of the Charter could not be incorporated into GATT as an integral whole because it contains provisions (e.g., subsidies) not suitable for GATT.

3. Incorporation of certain Charter provisions in GATT prior to submission of Charter to Congress would create difficulties in securing approval of the Charter by Congress.

<sup>1</sup> Folder "First Session GATT: Agenda and Position Papers".

<sup>2</sup> This paper was Attachment A-VIII to Doc. TAC D-4/48, dated February 11, 1948, a document of the Interdepartmental Committee on Trade Agreements (TAC).

International Trade Files, Lot 57D284, Box 108<sup>1</sup>

*Memorandum by George Bronz, United States Treasury, to the Head of the United States Delegation to the First Session of the Contracting Parties*

SECRET

[WASHINGTON,] February 21, 1948.

I have examined Attachment A-VIII to Document TAC B-4/48 dealing with supercession of the provisions of GATT by the Havana Charter provisions. One of the reasons given for not favoring supercession until the effective date of the Charter is that the Havana Charter non-discriminatory provisions seem likely to be weaker than the corresponding GATT provisions. I suggest that the opposite is closer to the truth.

GATT contains Article XIV which corresponds with Article 23 of the Charter dealing with discrimination. Insofar as it corresponds with the Geneva text of Article 23, the GATT provision is stronger for the transitional period than the corresponding provisions of the Havana Article 23. However, Article XIV of the GATT contains paragraph 6 which is not included in the Geneva Charter. This provision allows Members an absolutely free hand in the field of discrimination until January 1, 1949, with a proviso that this period may be extended by majority vote of the contracting parties "for such further periods as they may specify in respect of any contracting party whose supply of convertible currencies is inadequate to enable it to apply" the Geneva rules of non-discrimination for the transitional period.

In view of the violent position taken by so many European countries against the Geneva transitional rules, I feel we must anticipate that if the GATT Article XIV extends beyond January 1, 1949, we will get an irresistible pressure to extend the absolutely free period until the Charter comes into force.

Thus, the net result of leaving the GATT provision in effect is to have completely unrestricted discrimination up to the time that the Charter enters into force. If we substitute the new Havana text of Article 23 at this time, we will have various powers in the contracting parties and in the Monetary Fund to limit discrimination at least to some extent. Furthermore, we would have a pretty good rule to prevent any expansion of discrimination beyond what existed on February 15, 1948.

In view of the foregoing I would recommend immediate supercession of Article XIV by Article 23 of the Havana Charter.

By this memo I am not intending to express any view on the more general question of supercession but simply want to point out how

<sup>1</sup> Folder "H—General Agreement on Tariffs and Trade—Miscellaneous".

things stand on this one Article in which I am particularly interested. The changes in Article 21 and 24 of the Charter (Articles XIII and XV of the GATT) made at Havana are immaterial in this connection and it would not appear to make any difference to us whether or not those Articles are superseded.

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International Trade Files, Lot 57D284, Box 108<sup>1</sup>

*Operative Part of Special Protocol Modifying Article XIV of the General Agreement on Tariffs and Trade, Effected by the First Session of the Contracting Parties to the General Agreement*

[HABANA, March 24, 1948.]

[Here follows the preambulatory section of the protocol, setting forth the desire of the CP's to modify the text of Article XIV of GATT, "in the light of the text of the Havana Charter for an International Trade Organization . . ." and indicating agreement of the CP's "as follows:"]

I. On and after January 1, 1949 Article XIV of the General Agreement on Tariffs and Trade shall read as follows:

"ARTICLE XIV

*Exceptions to the Rule of Non-discrimination*

1. (a) The contracting parties recognize that the aftermath of the war has brought difficult problems of economic adjustment which do not permit the immediate full achievement of non-discriminatory administration of quantitative restrictions and therefore require the exceptional transitional period arrangements set forth in this paragraph.

(b) A contracting party which applies restrictions under Article XII may, in the use of such restrictions, deviate from the provisions of Article XIII in a manner having equivalent effect to restrictions on payments and transfers for current international transactions which that contracting party may at that time apply under Article XIV of the Articles of Agreement of the International Monetary Fund, or under an analogous provision of a special exchange agreement entered into pursuant to paragraph 6 of Article XV.

(c) A contracting party which is applying restrictions under Article XII and which on March 1, 1948 was applying import restrictions to safeguard its balance of payments in a manner which deviated from the rules of non-discrimination set forth in Article XIII may, to the extent that such deviation would not have been authorized on that date

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<sup>1</sup> Folder "Documents—GATT—Contracting Parties First Meeting".

by sub-paragraph (b), continue so to deviate, and may adapt such deviation to changing circumstances.

(d) Any contracting party which before July 1, 1948 has signed the Protocol of Provisional Application agreed upon at Geneva on October 30, 1947, and which by such signature has provisionally accepted the principles of paragraph 1 of Article 23 of the Draft Charter submitted to the United Nations Conference on Trade and Employment by the Preparatory Committee, may elect, by written notice to the Contracting Parties before January 1, 1949, to be governed by the provisions of Annex J of this Agreement, which embodies such principles, in lieu of the provisions of sub-paragraphs (b) and (c) of this paragraph. The provisions of sub-paragraphs (b) and (c) shall not be applicable to contracting parties which have so elected to be governed by the provisions of Annex J; and conversely, the provisions of Annex J shall not be applicable to contracting parties which have not so elected.

(e) The policies applied in the use of import restrictions under sub-paragraphs (b) and (c) or under Annex J in the postwar transitional period shall be designed to promote the maximum development of multilateral trade possible during that period and to expedite the attainment of a balance of payments position which will no longer require resort to the provisions of Article XII or to transitional exchange arrangements.

(f) A contracting party may deviate from the provisions of Article XIII, pursuant to sub-paragraphs (b) or (c) of this paragraph or pursuant to Annex J, only so long as it is availing itself of the post-war transitional period arrangements under Article XIV of the Articles of Agreement of the International Monetary Fund, or of an analogous provision of a special exchange agreement entered into under paragraph 6 of Article XV.

(g) Not later than March 1, 1950 (three years after the date on which the International Monetary Fund began operations) and in each year thereafter, the Contracting Parties shall report on any action still being taken by contracting parties under sub-paragraphs (b) and (c) of this paragraph or under Annex J. In March 1952, and in each year thereafter, any contracting party still entitled to take action under the provisions of sub-paragraph (c) or of Annex J shall consult the Contracting Parties as to any deviations from Article XIII still in force pursuant to such provisions and as to its continued resort to such provisions. After March 1, 1952 any action under Annex J going beyond the maintenance in force of deviations on which such consultation has taken place and which the Contracting Parties have not found unjustifiable, or their adaptation to changing circumstances, shall be subject to any limitations of a general charac-

ter which the Contracting Parties may prescribe in the light of the contracting party's circumstances.

(h) The Contracting Parties may, if they deem such action necessary in exceptional circumstances, make representations to any contracting party entitled to take action under the provisions of sub-paragraph (c) that conditions are favourable for the termination of any particular deviation from the provisions of Article XIII, or for the general abandonment of deviations, under the provisions of that sub-paragraph. After March 1, 1952, the Contracting Parties may make such representations, in exceptional circumstances, to any contracting party entitled to take action under Annex J. The contracting party shall be given, a suitable time to reply to such representations. If the Contracting Parties find that the contracting party persists in unjustifiable deviation from the provisions of Article XIII, the contracting party shall, within sixty days, limit or terminate such deviations as the Contracting Parties may specify.

2. Whether or not its transitional period arrangements have terminated pursuant to paragraph 1(f), a contracting party which is applying import restrictions under Article XII may, with the consent of the Contracting Parties temporarily deviate from the provisions of Article XIII in respect of a small part of its external trade where the benefits to the contracting party or contracting parties concerned substantially outweigh any injury which may result to the trade of other contracting parties.

3. The provisions of Article XIII shall not preclude restrictions in accordance with the provisions of Article XII which either

(a) are applied against imports from other countries, but not as among themselves, by a group of territories having a common quota in the International Monetary Fund, on condition that such restrictions are in all other respects consistent with the provisions of Article XIII, or

(b) assist, in the period until December 31, 1951, by measures not involving substantial departure from the provisions of Article XIII, another country whose economy has been disrupted by war.

4. A contracting party applying import restrictions under Article XII shall not be precluded by Articles XI-XV of this Agreement from applying measures to direct its exports in such a manner as to increase its earnings of currencies which it can use without deviation from the provisions of Article XIII.

5. A contracting party shall not be precluded by Articles XI-XV of this Agreement from applying quantitative restrictions

(a) having equivalent effect to exchange restrictions authorized under Section 3(b) of Article VII of the Articles of Agreement of the International Monetary Fund; or

(b) under the preferential arrangements provided for in Annex A of this Agreement, pending the outcome of the negotiations referred to therein."

II. The following Interpretative Note shall be inserted in Annex I to the General Agreement on Tariffs and Trade:

*"ad* ARTICLE XIV

*Paragraph 1(g)*

The provisions of paragraph 1(g) shall not authorize the Contracting Parties to require that the procedure of consultation be followed for individual transactions unless the transaction is of so large a scope as to constitute an act of general policy. In that event, the Contracting Parties shall, if the contracting party so requests, consider the transaction, not individually, but in relation to the contracting party's policy regarding imports of the product in question taken as a whole.

*Paragraph 2*

One of the situations contemplated in paragraph 2 is that of a contracting party holding balances acquired as a result of current transactions which it finds itself unable to use without a measure of discrimination."

III. The following Annex shall be added to the General Agreement on Tariffs and Trade:

*"ANNEX J*

*Exceptions to the Rule of Non-discrimination*

(Applicable to contracting parties who so elect, in accordance with paragraph 1(d) of Article XIV, in lieu of paragraphs 1(b) and 1(c) of Article XIV.)

1. (a) A contracting party applying import restrictions under Article XII may relax such restrictions in a manner which departs from the provisions of Article XIII to the extent necessary to obtain additional imports above the maximum total of imports which it could afford in the light of the requirements of paragraphs 3(a) and 3(b) of Article XII if its restrictions were fully consistent with the provisions of Article XIII; Provided that

(i) levels of delivered prices for products so imported are not established substantially higher than those ruling for comparable goods regularly available from other contracting party countries, and that any excess of such price levels for products so imported is progressively reduced over a reasonable period;

(ii) the contracting party taking such action does not do so as part of any arrangement by which the gold or convertible currency which

the contracting party currently receives directly or indirectly from its exports to other contracting parties not party to the arrangement is appreciably reduced below the level it could otherwise have been reasonably expected to attain;

(iii) such action does not cause unnecessary damage to the commercial or economic interests of any other contracting party,

(b) Any contracting party taking action under this paragraph shall observe the principles of sub-paragraph (a). A contracting party shall desist from transactions which prove to be inconsistent with that sub-paragraph but the contracting party shall not be required to satisfy itself, when it is not practicable to do so, that the requirements of that sub-paragraph are fulfilled in respect of individual transactions.

2. Any contracting party taking action under paragraph 1 of this Annex shall keep the Contracting Parties regularly informed regarding such action and shall provide such available relevant information as the Contracting Parties may request.

3. If at any time the Contracting Parties find that import restrictions are being applied by a contracting party in a discriminatory manner inconsistent with the exceptions provided for under paragraph 1 of this Annex, the contracting party shall, within sixty days, remove the discrimination or modify it as specified by the Contracting Parties; *Provided* that any action under paragraph 1 of this Annex, to the extent that it has been approved by the Contracting Parties at the request of a contracting party under a procedure analogous to that of paragraph 5(c) of Article XII, shall not be open to challenge under this paragraph or under paragraph 5(d) of Article XII on the ground that it is inconsistent with the provisions of Article XIII.

#### *Interpretative Note to Annex J*

It is understood that the fact that a contracting party is operating under the provisions of paragraph 1(b)(i) of Article XX does not preclude that contracting party from operation under this Annex, but that the provisions of Article XIV (including this annex) do not in any way limit the rights of contracting parties under paragraph 1(b)(i) of Article XX."

[Here follows Section IV of the Protocol, containing provisions for bringing the Protocol into effect.]

560.AL/3-2648: Circular telegram

*The Secretary of State to Certain Diplomatic Missions*<sup>1</sup>

SECRET US URGENT

WASHINGTON, March 26, 1948—6 p. m.

1. Czecho has signed Protocol Provisional Application General Agreement Tariffs and Trade, effective April 21. We are convinced that under new Czech regime benefits contemplated under GATT from Czech accession will not accrue to U.S. and probably not to other parties and that much adverse political capital will be made by European Communists if U.S. now proceeds give effect GATT vis-à-vis Czecho.

2. Stated aim GATT was reduction trade barriers and elimination discrimination in international trade. At time it was negotiated, we hoped Czecho would become bridge for increased trade and better understanding between West and East. At that time, we believed Czech Govt. although conscious perils its proximity East, would carry out its obligations under GATT and sincerely endeavor cooperate achievement its objectives. At that time and under those circumstances tariff concessions and guarantees of non-discrimination by Czecho under GATT were of genuine significance and value and under U.S. legislation and methods of conducting trade would justify corresponding obligations assumed by U.S. This situation totally changed by violent assumption power in Czecho by party whose open attitude is rejection cooperation in European and world recovery and opposition our system trade and govt.<sup>2</sup> Tariff. concessions are meaningless to such a govt, whose announced policy is discrimination and exclusionary tactics and whose fulfillment of its commitments cannot be checked because refusal necessary information. Under these circumstances, tariff concessions are not part of two-way bargain and would give advantages to Czech exporters not shared by US exporters.

Therefore we consider that the situation has changed, involves exceptional circumstances not contemplated by the Agreement, and is such that the benefits of the Agreement and the attainment of its basic objectives are, so far as Czecho is concerned, being nullified and impeded.

3. Please communicate foregoing urgently to Govt to which you accredited highest levels and advise them we propose immediately seek

<sup>1</sup> Sent to Paris as 981, Brussels as 449, The Hague as 116, Luxembourg as 11, Ottawa as 48, Canberra as 75, and Habana as 395.

Because the United Kingdom had been inadvertently left off the original distribution list for the circular, the message was incorporated in telegram 1089 to London, March 30, not printed. To compensate for the abbreviated time left for response, the deadline mentioned in paragraph 9 was extended to April 2. (560.AL/3-3048)

<sup>2</sup> For documentation regarding the Communist seizure of power in Czechoslovakia, see vol. iv, pp. 733 ff.



waiver from contracting parties under Arts. 23 and 25 our GATT obligations to Czecho. We are making similar urgent approaches other countries which have given effect to GATT.

4. Your presentation shd emphasize extreme political undesirability of our taking action under GATT at present time which will be widely misrepresented by Communists as proving that they can obtain trade and other advantages from US despite their open opposition to us in ERP and UN. US giving effect GATT concessions wld undoubtedly be used attempt nullify Secretary's California statement that Italy could not expect ERP aid if Communists succeed in April 18 elections.<sup>3</sup> You shd point out that promulgation of proclamation applying GATT to Czecho at this particular time might have severe adverse effect on public opinion in US and on chances for speedy ERP legislation.

5. We wld prefer orderly and concerted action under terms GATT and if enough contracting parties agree wld propose accomplish this by brief meeting their representatives New York to confirm action followed by public announcement.

6. You are authorized your discretion inform Govt that if majority contracting parties unwilling give US waiver its obligations Czecho we intend unilaterally invoke para 5 Protocol Provisional Application with respect our application GATT to Czecho. We wld announce that since US wld in any case promptly withdraw application GATT to Czecho, it wld be useless apply Protocol to them.

7. Although we do not press other contracting parties to seek similar waiver their obligations to Czecho, we wld welcome and support such action by them. Effect wld be heightened by such demonstration Western solidarity.

8. We wld of course be prepared consult under Art. 27 GATT if country desires with respect to concessions not proclaimed on any product in which it has a substantial interest.

9. Pls impress on authorities urgency prompt decision in view Italian elections April 18 and fact Czech action under Protocol becomes effective April 21. Deadline for US action in view terms Protocol and public interest in US is March 31.

10. Necessity secrecy these representations obvious.

MARSHALL

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<sup>3</sup> For documentation regarding United States interest and concern over the elections in Italy, see vol. III, pp. 724 ff.

560.AL/2-2448

*Mr. William L. Clayton to the Secretary of the Army (Royall)*

CONFIDENTIAL

[WASHINGTON,] April 2, 1948.

MY DEAR MR. SECRETARY: This letter is intended to amplify and confirm the remarks I made in our previous discussions over the telephone regarding your letter of February 24, 1948<sup>1</sup> with reference to the problem of obtaining most-favored-nation treatment for the trade of the occupied areas.

The Department is completely in accord with your view as to the desirability of obtaining most-favored-nation treatment for the occupied areas. This feeling on our part stems not only from an appreciation of the financial and other responsibilities which our government has in the occupied areas but also from the fact that the principle of most-favored-nation treatment has been and continues to be a cardinal element in our foreign economic policy.

For these reasons we have made every reasonable effort to obtain most-favored-nation treatment for the occupied areas through a commitment in relation to either the ITO Charter or the General Agreement on Tariffs and Trade. To this end representations were made by our Delegation at Habana, by the Department in Washington, by our Embassy at Paris, and by our Delegation at the Tripartite discussions recently concluded in London. Agreement was obtained on inclusion in the ITO Charter of a provision which specifies that the Conference, which is to be the principal body of the ITO, shall determine the conditions upon which the rights and obligations of the Charter shall be extended to the occupied areas. As you have noted, this provision keeps the door open for bringing the occupied areas into the ITO and is thus desirable, but we agree that it is not enough. Hence, in the discussions on this question in Habana and elsewhere we have put the various countries concerned on notice that the United States will expect a provision according reciprocal most-favored-nation treatment for the occupied areas to be included in the aid agreements under the recovery programs for Europe and China.

The Department intends, in line with the suggestion in your letter, to seek to incorporate a commitment regarding most-favored-nation treatment in each of the bilateral agreements under the European Recovery Program and the Chinese aid program. It is expected that the commitment will be general in character, applying on a reciprocal basis to the commerce of the parties to the respective agreements but subject to the exceptions of the sort permitted under the ITO Charter, such as measures permitted for security or balance of payments rea-

<sup>1</sup> Not printed.

sons. It will be made clear that this commitment will apply to the occupied areas of western Germany, Japan and southern Korea for which the United States is responsible.

With reference to the last paragraph of your letter, I should like to make several comments. First, although the ITO Charter does not contain a specific obligation requiring the extension of most-favored-nation treatment to the occupied areas, it also does not contain any prohibition against the extension of such treatment by any Member if the latter should so desire. Hence, the "discrimination" against the occupied areas under the Charter to which you refer is one of omission, not commission. Secondly, without in any way minimizing the importance of obtaining most-favored-nation treatment for the occupied areas, I should like to stress the fact that the Charter in its present form contains a great number of far-reaching commitments of vital significance for the establishment of a mutually advantageous system of international economic relations and the achievement of the objectives of our foreign economic policy. These commitments cover the field not only of commercial policy but also of restrictive business practices, intergovernmental commodity agreements, employment and economic development. It would seem that the achievement of these extensive commitments is so important and the fulfillment of the objectives of the Charter so significant to the welfare of the United States that it would be a great pity to sacrifice or jeopardize them in any way because of the failure to obtain in the Charter a provision for most-favored-nation treatment for the occupied areas.

I am confident that through the agreements under the European and Chinese aid programs we shall obtain the most-favored-nation treatment for the occupied areas that you and I both agree is highly desirable. It is my sincere hope that the Department can count on your strong support for the ITO Charter and the program it represents.<sup>2</sup>

Sincerely yours,

WILLIAM L. CLAYTON

<sup>2</sup> In a carefully worded reply on May 11, Royall enumerated the advantages that would accrue from extending most-favored-nation treatment to the occupied areas; and urged the need to win acceptance of that position in the then-current negotiations for multilateral agreements under the European Recovery Program. Clayton sent a letter in reply on May 13 saying that Royall's views had been communicated to the officers of the Department of State responsible for the ERP negotiations (560.AL/5-1148). This course of action was endorsed by Assistant Secretary of State for Economic Affairs Thorp in a memorandum of May 19, not printed (560.AL/5-1148).

560.AL/4-1248

*Memorandum by Mr. Harold C. Vedeler of the Division of Central European Affairs to the Director of the Office of European Affairs (Hickerson)*

[WASHINGTON,] April 12, 1948.

With reference to the request of your secretary concerning the coming into force of trade concessions to Czechoslovakia under GATT, I am informed by Mr. Wood<sup>1</sup> and Mr. Reinstein<sup>2</sup> as follows:

The Department has not as yet reached a decision whether the proclamation should be issued giving effect to these concessions vis-à-vis Czechoslovakia. Although most foreign governments approached in this matter with a view to joint action have not responded favorably,<sup>3</sup> Mr. Lovett and Mr. Clayton still feel that a way must be found by which the United States Government can avoid putting GATT into effect with reference to Czechoslovakia. In their opinion, the issuance of a proclamation would endanger renewal by Congress of the Reciprocal Trade Agreements Act. At the present time representatives of the Department are exploring the matter with Congress, particularly through Mr. Biffle,<sup>4</sup> in an effort to see what is the best course to follow.

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<sup>1</sup> C. Tyler Wood, Deputy to the Assistant Secretary of State for Economic Affairs.

<sup>2</sup> Jacques J. Reinstein, Special Assistant to the Assistant Secretary of State for Economic Affairs.

<sup>3</sup> Responses and also exchanges between certain of the missions and the Department which are not printed are in file 560.A1; see telegram Telmar 73, April 16, 4 p.m., p. 916.

<sup>4</sup> Leslie Biffle, Staff Director, Minority (Democratic) Policy Committee of the Senate.

560.AL/4-1548

*Memorandum by the Assistant Legal Adviser for Economic Affairs (Rubin) to the Legal Adviser (Gross)*

[WASHINGTON,] April 15, 1948.

In a meeting in Mr. Lovett's office yesterday, it was decided, on the recommendation of Mr. Clayton, that the Department would reverse its previous stand, and that we would put the General Agreement on Tariffs and Trade (GATT) into effect with respect to Czechoslovakia on April 20 or 21.

Considerations which motivated Mr. Clayton's recommendation were largely:

1. The strong opposition of five out of seven of the GATT signatories;

2. The feeling of certain of the GATT signatories that if we withdrew application vis-à-vis Czechoslovakia, we would in effect legally be withdrawing from the Agreement;

3. The feeling that opposition on the Hill will come very largely from those persons who would in any case be opposed to any trade agreement with Czechoslovakia;

4. The fact that it would be foolish to refuse to apply GATT to Czechoslovakia, but to allow Czechoslovakia to get its benefits indirectly through the most-favored-nation clause, and that, therefore, refusal to apply GATT to Czechoslovakia would necessarily imply denunciation of most-favored-nation treatment for Czechoslovakia;

5. That withdrawal of m-f-n treatment for Czechoslovakia would necessarily mean denunciation of our commercial convention with Russia and withdrawal of m-f-n treatment from the entire iron-curtain area; and

6. That relations between the US and the USSR were so strained at present that it was unwise to subject them to further unnecessary strain in a manner which would irritate, but not injure.

Mr. Lovett agreed with this recommendation and steps are to be taken to sound out the President and Members of Congress, to notify the Secretary and to discuss the matter with the Department of Commerce, and to prepare the Proclamation.<sup>1</sup> I have discussed the Proclamation with Walter Hollis,<sup>2</sup> who is preparing a draft. Hollis is to prepare the draft in such a way that it proclaims changes made in GATT at Havana and certain minor rectifications of GATT or of our previous proclamations, so that the Czech question becomes merely one part of a general proclamation.

It should be noted that proclaiming with respect to Czechoslovakia on April 21 will involve some violation on our part, since we are actually obligated to give effect to the concessions on that day and at least ten days or two weeks' notice will be required. However, such a violation seems very unimportant.

SEYMOUR J. RUBIN

<sup>1</sup> A memorandum of conversation covering this meeting, not printed, indicates that Mr. Lovett made suggestions, concurred in by those present, in which the Department would adopt a "line of argument" which focussed on point 6 above and on the Berlin question where the United States position was based on the necessity of living up to international agreements; "our failure to do so in the Czech Agreement would make our position less strong there." (611.60F31/4-1448)

<sup>2</sup> Sometime officer in the Division of Commercial Policy and in the Office of the Legal Adviser.

560.AL/4-1648: Telegram

*The Acting Secretary of State to the Secretary of State, at Bogotá*

SECRET

WASHINGTON, April 16, 1948—4 p. m.

Telmar 73. For Marshall<sup>1</sup> from Lovett and Bohlen.<sup>2</sup> We have explored with other GATT countries possibility of securing waiver our GATT obligations to Czecho. Canada and Cuha are prepared to support us. UK, France, Belgium, Holland and Australia strongly opposed after consideration by Bevin, Bidault<sup>3</sup> and Spaak<sup>4</sup> personally. They state procedure for waiver obligations to Czecho under agreement not applicable before it has come into effect for Czecho and although they sympathize our feelings re effect change in Czech Govt contend latter has not violated agreement and no basis give us waiver. UK, France and Benelux also stress vital importance to them and other ERP countries of trade with Czecho and Eastern Europe generally and are reluctant even attend meeting to discuss matter. We are satisfied this is firm position.

Alternatives therefore are proclaim rates for Czecho or take unilateral action to withhold them. Lawyers advise Protocol Provisional Application might be invoked to justify latter action but that this would by strained interpretation and court would probahly hold we had breached entire agreement. British and Dutch flatly state they do not think Protocol allows partial withdrawal and that if we withdraw from Czecho we break agreement as regards all parties.

If we fail proclaim concessions of principal interest to Czecho, it would be difficult resist inevitable demands that we withhold benefits other GATT concessions of secondary interest to Czecho, e.g. flat glass, negotiated with Belgium, of which Czecho is important supplier. Under Trade Agreements Act this would require finding by President that Czecho was adopting policies tending defeat purposes Act and therefore that most-favored-nation treatment should be withheld. We should also bear in mind that the United States signed the International Wheat Agreement on March 6<sup>5</sup> subsequent to the Czech coup. Poland and Czech are among the signatory nations.

<sup>1</sup> Secretary Marshall was chairman of the United States Delegation to the Ninth International Conference of American States, which was held at Bogotá, Colombia, from March 30 to May 3, 1948. For documentation, see vol. ix, pp. 1 ff.

<sup>2</sup> Charles E. Bohlen, Counselor, Department of State.

<sup>3</sup> Georges Bidault, French Minister of Foreign Affairs.

<sup>4</sup> Paul-Henri Spaak, Belgian Prime Minister and Foreign Minister.

<sup>5</sup> The text of the International Wheat Agreement may be found in Department of State *Documents and State Papers* (April 1948), pp. 102-111. The Agreement was not ratified, however. For President Truman's comments on this development, see the text of his address to the meeting of the Fourth Session of the FAO, November 24, 1948—*Public Papers of the Presidents of the United States: Harry S. Truman: 1948* (Washington: GPO, 1964), pp. 948-950.

This agreement obligates the United States, Canada and Australia to supply certain quantities of wheat at not more than certain maximum prices and certain other importing countries including Poland and Czechoslovakia to buy specified quantities of wheat at not less than certain minimum prices. The Agreement, of course, must be ratified by the Senate. It runs for 5 years. The only escape clause is one that can be used in event of eventual hostilities. It would be very inconsistent to denounce the Geneva Agreement vis-à-vis Czechoslovakia and leave the Wheat Agreement in effect with that country.

Have made informal soundings Congressional opinion. Consensus those interviewed (Barkley, Rayburn, Doughton, Mills, Dirksen, Case <sup>6</sup>) is that unless we are prepared cease trade relations Soviet and satellites we have no alternative but to proclaim Czech rates. They feel such action will handicap TA renewal but won't change many votes that wouldn't already be against us. Vandenberg, Gearhart,<sup>7</sup> say matter is for us to decide but voice no objection.

Failure to carry out our agreement vis-à-vis Czechoslovakia would not only seriously weaken our standing with other countries but would seriously weaken our position in insisting Soviets live up to their commitments, e.g. in Berlin. Our whole ability to stay in Berlin depends on Soviet observance these commitments. If we don't live up to our multilateral Agreements we can hardly expect them to miss this chance to use it against us in this period of tension.

Recommend therefore we proclaim rates for Czecho with clear statement reasons. Realize this is change position previously taken, but attitude other countries, fuller study legal position and result soundings Congressional opinion seem compel this conclusion. Clayton, Thorp concur. Foster <sup>8</sup> has been consulted and agrees matter should be referred you and Harriman <sup>9</sup> for reconsideration. If you approve will endeavor secure White House approval.<sup>10</sup> [Lovett and Bohlen.]

LOVETT

<sup>6</sup> Senator Alben Barkley of Kentucky and Minority Leader; Representative Sam Rayburn of Texas, Minority Leader of the House; Representative Robert Doughton of North Carolina; Representative Wilbur Mills of Arkansas; Representative Everett Dirksen of Illinois; and probably Representative Francis Case of South Dakota.

<sup>7</sup> Senator Arthur Vandenberg of Michigan, and Representative Bertrand W. Gearhart of California.

<sup>8</sup> William C. Foster, Under Secretary of Commerce.

<sup>9</sup> Secretary of Commerce W. Averell Harriman had been designated United States Special Representative in Europe with rank of Ambassador; his nomination was confirmed by the Senate on April 26, 1948.

<sup>10</sup> In Martel 77, April 20, the recommendations made in Telmar 73, were approved by Secretaries Harriman and Marshall. "Both state their unhappiness at the box US finds itself in, but saw no other feasible position than one proposed by you." (560.AL/4-2048)

560.AL/4-2048: Circular telegram

*The Acting Secretary of State to Certain Diplomatic Missions*<sup>1</sup>

SECRET US URGENT

WASHINGTON, April 20, 1948—1 a. m.

1. Adverse attitude most other GATT contracting parties and fuller study legal position as well as result soundings Congressional opinion seem compel change in US position suggested Deptel Mar 26. Present prevailing view Dept is to proclaim rates for Czecho and apply GATT to that country. Recommendation to this effect has been made to Secretary Marshall at Bogotá and his reply is awaited. If he approves, will still be necessary obtain White House approval before US can proceed to put GATT into effect for Czecho. US will therefore not be able to apply agreement to Czecho by April 20 deadline but if Marshall and White House approve, US will apply GATT to Czecho soon as possible, probably about middle May.

2. In view foregoing US does not now intend call meeting contracting parties GATT as suggested para 5, Deptel Mar 26.

3. Foregoing for your info only. Should govts to which you are accredited inquire whether US will apply GATT to Czecho, you should reply that matter is still under consideration and that decision is expected shortly.<sup>2</sup>

LOVETT

<sup>1</sup> Sent to Brussels, Canberra, Habana, Luxembourg, London, Ottawa, Paris, Praha, and The Hague.

<sup>2</sup> On April 22, President Truman issued a proclamation placing GATT into effect with respect to Czechoslovakia on April 21. U.S. missions were informed that April 21 was chosen because it corresponded to the 30-day expiration date after the Czech signature on the Protocol of Provisional Application to GATT. The missions were instructed to convey this information to the governments to which they were accredited. In the case of the Canadian Government, the Embassy in Ottawa was instructed in telegram 56, not printed, to "indicate that this govt greatly appreciates its support but felt that in view adverse reaction most other contracting parties GATT, proper course was to apply GATT to Czecho." (560.AL/4-2248)

560.AL/6-2348: Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET US URGENT

WASHINGTON, June 24, 1948—9:35 p. m.

2393. For Douglas from Thorp—to be delivered before 9 a.m. June 25. Following refers inclusion Japan and southern Korea in exchange of notes for m-f-n treatment occupied areas (urtel 2768, June 23).<sup>1</sup>

<sup>1</sup> Telegram 2768 from London, June 23, 1948, reported on the difficulties involved in negotiating the U.S.-U.K. bilateral aid agreement in conjunction with the European Recovery Program. Ambassador Douglas reported that "Brit cannot accept inclusion Japan and Korea in exchange of notes accompanying Agreement . . ." (840.50 Recovery 6-2348) For complete text of telegram, see vol. III, p. 1109.



### *A. Background*

1. During negotiation General Agreement on Tariffs and Trade last year at Geneva question arose as to whether occupied areas of western Germany, Japan and southern Korea should be brought within terms of GATT. Question was left unresolved and referred for further consideration to ITO Conference which was to open at Habana. Final note to GATT was adopted at Geneva indicating that applicability of GATT to trade of occupied areas had not been dealt with and was reserved for further study at an early date.

2. At Habana U.S. Delegation made determined efforts to bring occupied areas within terms of ITO Charter but these efforts failed, principally because of opposition of UK, France, Czechoslovakia, Poland and China. This opposition seemed to be based in part on political considerations and in part on economic ones, including fear of German and Japanese economic penetration and of possibility of heavy influx of imports from these areas in future. Legal status of occupied areas and competence of Habana Conference to consider problem of their relation to Charter were also brought into question. As result of this opposition, all that U.S. Delegation was able to get at Habana was provision in Charter whereby ITO would, on application by competent authorities, determine conditions on which rights and obligations of Charter would apply to occupied areas.

3. In connection with Habana negotiations US tried concurrently in Washington and at Tripartite discussions London to persuade UK and France to agree bring occupied areas within ITO Charter and extend m-f-n treatment to such areas. These efforts also failed but US did put UK and France as well as other countries concerned on notice that in connection with European and Chinese bilateral aid agreements we would insist on commitment providing m-f-n treatment to commerce of occupied areas on reciprocal basis.

4. In negotiation at Paris of multilateral Convention for European Economic Cooperation U.S. suggested that agreement include m-f-n provisions applicable to commerce of parties to agreement. Such provisions, had they been included, would have applied to British and American Zones of Germany since they were parties to agreement, but would not have covered Japan or Korea since neither they nor US (which might have acted on their behalf if it were signatory) were parties to agreement. Participating countries would not accept m-f-n commitment in Convention itself, however, although they did include note in minutes of their deliberations indicating they would seek to achieve as soon as possible among themselves and with other countries multilateral system of trade on m-f-n basis consistent with Habana Charter.

5. In current bilateral aid negotiations UK supported by Fr has strongly opposed m-f-n commitment for occupied areas. China also strongly opposing. Other aid countries willing to accept such commitment and some, such as Norway, even welcome the provision. Only UK and China have made any issue re inclusion Jap and southern Korea.

6. In connection this matter you will recall Clayton's strong view as expressed to you last spring upon his return from Habana that US must insist on obtaining m-f-n treatment for occupied areas from countries receiving aid from U.S. You may also recall Royall's very strong views this matter.

7. Check of available State and Army officials who attended relevant Congressional hearings indicates no discussion took place therein of m-f-n question.

*B. Reason for inclusion Jap and southern Korea in exchange of notes—*

1. As indicated May 18 analysis of agreements (ECA/3),<sup>2</sup> support of economies of occupied areas represents economic burden on US. If these areas are to become self-sustaining and economic burden on US reduced, it is essential that their exports be developed and that, therefore, unwarranted discrimination against such exports be eliminated so far as possible.

2. In this connection economies of Jap and southern Korea are no different from those of occupied areas in Europe for which US is responsible. This country is giving direct financial and other economic support to Jap and southern Korea. Discrimination against exports of these areas makes it more difficult for economies of these areas to stand on their own feet and increases financial and other assistance which this country must supply. Moreover, since this assistance in part is incorporated directly and indirectly in the manufacture of exports from Japan and southern Korea, discrimination against these exports represents, in a sense, discrimination against US. From this viewpoint our interest in occupied areas is similar to our interest in our own dependencies.

*C. Nature and effect of m-f-n commitment in exchange of notes—*

1. Under exchange of notes UK required to grant m-f-n treatment to Jap and southern Korea as well as other occupied areas only if it receives such treatment from these areas in return.

2. The notes do not themselves impose any legal obligation on Jap or southern Korea to extend m-f-n treatment. Hence, notes do not

<sup>2</sup> Summary and Analysis of Master Economic Cooperation Agreement Draft, not printed.

in any way affect any legal responsibilities FEC may have in matter. If notes are accepted, it would still be up to US to ensure, through such means (including FEC) as are available to it, that Jap and southern Korea do grant m-f-n treatment to UK and other countries so that they may receive m-f-n treatment in return.

3. Although UK required to give Jap and southern Korea m-f-n treatment if it receives such treatment from these areas, it will still have ample opportunity to discriminate, if necessary, in accordance with exceptions from m-f-n treatment recognized in GATT. Most importantly in this connection, UK would still have right to discriminate against dollar exports from Jap so long as UK is in balance-of-payments difficulties. Same right is available to British colonies. Since British likely to be in balance-of-payments difficulties for next several years, commitment in exchange of notes would still leave British Govt relatively free during this period to discriminate against dollar exports from Jap as well as other occupied areas.

4. Exchange of notes requires only that *British Govt* not impose discriminatory regulations (except such as are in accord with GATT exceptions) against Jap and other occupied areas. It would still leave British nationals free to purchase from whatever sources they wish, and if they do not want to buy from Japan, there is nothing in exchange of notes requiring them to do so.

5. Commitments in exchange of notes remain in force only until Jan 1, 1951, and are terminable on that date or at any time thereafter upon six months notice. During next 2½ years when commitment is in force, British would still retain, as indicated para C-3 above, wide latitude with respect to their trade policy because of likelihood continuing balance-of-payment difficulties. Also, during this period it does not seem likely that any great flood of exports will come forth from Japan to swamp British markets. General shortages, not surpluses, are likely to be problem during next several years. If Jap exports should become serious threat to British after this period, then they would be in position to terminate exchange of notes if they wished. Also, if British argue they need to protect their cotton textile industry against Jap competition, it may be pointed out that Jap cotton textiles intended for export will be largely low-grade type and therefore to considerable degree non-competitive with bulk British cotton textiles.

6. Exchange of notes commits only UK; it in no way imposes any commitment on Australia and New Zealand and leaves those countries free to direct their trade policy with respect to Japan and southern Korea in any manner they wish.

7. All issues in connection with bilateral agreements themselves

were resolved at today's session, subject to Franks'<sup>3</sup> referral with affirmative recommendation of solution Article II, para 1-C described to you today, namely, omitting first sixteen words. Only two outstanding issues are suggested reduction of m-f-n treatment Germany to two years from two years six months, and elimination Japan. Please advise us soonest your judgment concerning these points.

MARSHALL

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*Editorial Note*

The documentation that follows is concerned directly or indirectly with events related to the Second Session of the Contracting Parties to the General Agreement on Tariffs and Trade which was held at Geneva, Switzerland August 16–September 14, 1948. The Chairman of the United States Delegation was Leroy D. Stinebower, Special Assistant to the Assistant Secretary of State for Economic Affairs; and the Vice Chairman was John M. Leddy, Adviser, Division of Commercial Policy, Department of State. The advisory staff of the Delegation consisted of Carl D. Corse, Acting Associate Chief, Division of Commercial Policy; Walter Hollis, Office of the Legal Adviser, Department of State; and William L. Marbury, Department of the Army. The United States Delegation files for this Second Session of the Contracting Parties are in Lot 57D278, Boxes 108 and 109. As regards the working files of the Delegation itself, this file seems to be incomplete except for position papers; there is, however, a complete collection of the General Agreement on Tariffs and Trade documentation of the Session, which is much more elaborate than that of the First Session of the Contracting Parties. The Delegation file is located wholly in Box 108, except for an important file entitled "Most-Favored-Nation Treatment for Germany" (which chronologically spans a greater period than that of the Second Session) which is in Box 109.

One of the most important achievements of the Second Session from the United States point of view was the agreement that was negotiated to extend most-favored-nation treatment to western Germany; and the documentation printed here is largely concerned with this matter. However, the first document, *infra*, deals with an organizational matter related to the incipient international trade organization that affected the Contracting Parties not only at Geneva but for some years subsequently—the establishment at Geneva at this time of the Interim Commission for the International Trade Organization (ICITO).

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<sup>3</sup> Sir Oliver Franks, the British Ambassador.

International Trade Files, Lot 57D284, Box 108

*Press Release No. 420 of the European Office of the United Nations,  
Issued at Geneva, Switzerland, August 11, 1948*

#### UNITED NATIONS ITO INTERIM COMMISSION ESTABLISHED AT GENEVA

The Interim Commission of the International Trade Organization has established provisional headquarters at the Palais des Nations, Geneva.

The Interim Commission of ITO (ICITO) is a temporary UN agency which has certain specified interim functions pending the establishment of ITO. ICITO was established by a Resolution of the Havana Conference, in March 1948. ICITO held its first meeting at Havana and elected an Executive Committee composed of 18 countries to which it delegated its powers.

The Chairman of the Executive Committee is Ambassador Dana Wilgress, Canada.

#### ICITO SECRETARIAT

The Secretariat of the ITO Interim Commission is a small unit, headed by the Executive Secretary, Eric Wyndham White, who was previously Executive Secretary of the Havana Conference and of the earlier Preparatory Committee. The Executive Secretary and the Secretariat are responsible for the day-to-day work of the Commission, under the general direction of the Executive Committee.

Other members of the ICITO Secretariat are:

Deputy Executive-Secretary

and J. A. Lacarte (Uruguay) acting Representative at  
Lake Success

Special Assistant

Commercial Policy Adviser

Information Officer

Research Assistant

Research Assistant

Administrative Assistant

Jean Royer (France)

F. A. Haight (South Africa)

Richard Ford (U.K.)

Constant Shih (China)

G. Maggio (Italy)

Dorothy Peaslee (U.S.)

and on loan from United Nations Secretariat:

Alan Renouf (Australia)

Hugh Gosschalk (U.K.)

Legal Adviser

Research Assistant.

## THE WORK OF ICITO

The functions of the ITO Interim Commission are defined by a resolution of the Havana Conference. They can be summarized as follows:

Preparations for the first session of ITO. These will include a plan of work for the first year of ITO; budget proposals for ITO; and recommendations as to the site of ITO headquarters and as to ITO's relationship with United Nations, the specialized agencies, and other intergovernmental and non-governmental organizations.

The publication of the main committee reports of the Havana Conference.

Consultations with the International Court of Justice.

The preparation, for the first session of ITO, of a report on the whole field of industrial and general economic development and post-war reconstruction, particularly in so far as the United Nations, the specialized agencies, and other organizations are concerned.

Consultation with the Government of Switzerland in a study of certain problems facing the Swiss economy in relation to the terms of the Havana Charter.

[Here follows information relating to the work of the Executive Committee of the ICITO and the ICITO Secretariat.]

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560.AL/7-848: Circular telegram

*The Secretary of State to Certain Diplomatic Missions*<sup>1</sup>

CONFIDENTIAL

WASHINGTON, July 8, 1948—8 a. m.

1. On June 26 President signed H.R. 6556 extending Trade Agreements Act to June 30, 1949. In statement issued that time President said he intended proceed near future with plans for bringing other countries into General Agreement on Tariffs and Trade (GATT).<sup>2</sup>

2. The item, Scheduling Future Tariff Negotiations, is included agenda Second Session Contracting Parties to GATT opening Aug 15 [16] Geneva. To prepare for and facilitate discussion this item and in light one year extension TA Act and President's statement, interdepartmental Trade Agreements Committee has approved following line of action:

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<sup>1</sup> Sent to all diplomatic missions except Bogotá and Mexico.

<sup>2</sup> For text, see *Public Papers of the Presidents: Harry S. Truman: 1948* (Washington, Government Printing Office, 1948), p. 385.

(a) Proposal has been made to Wyndham-White, Executive Secretary, Interim Commission for ITO, that Chairman Contracting Parties to GATT (Wilgress, Canada) immediately address communication to Governments signatories Final Act Habana not also signatories Final Act Geneva, inquiring whether such countries would be interested acceding GATT near future, including in conjunction therewith carrying out of tariff negotiations with contracting parties to GATT. These countries are: *American Republics*: Bolivia, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Mexico, Nicaragua, Panama, Peru, Uruguay, Venezuela; *British Commonwealth*: Ireland; *Europe*: Austria, Denmark, Greece, Italy, Portugal, Sweden, Switzerland; *Middle and Far East*: Afghanistan, Egypt, Iran, Iraq, Liberia, Philippines, Republic of Indonesia, Transjordan.

(b) U.S. missions in (1) countries referred to in (a) above (with exceptions and qualifications mentioned subpara 2(c) below) and (2) Argentina, Honduras, Paraguay, Finland, Iceland, Saudi Arabia, Turkey, Ethiopia, Israel, Nepal, Yemen and Siam should be informed foregoing and requested discuss these developments informally with appropriate officials Gov to which accredited. In doing so should state this Gov desirous ascertaining soon as possible whether Gov concerned is interested in early accession GATT, and if so whether it would wish initiate bilateral exploratory conversations determine whether basis exists for tariff negotiations with US within framework GATT. Such a basis would depend primarily on whether respective country was principal or important supplier US imports commodities on which duty not already reduced in Schedule XX GATT maximum of 50 percent permitted under TA Act or bound free. It is of course not expected that basis would be found for number smaller countries which might nevertheless accede GATT without concluding tariff negotiations with US and possibly other contracting parties. Upon accession by any new country to GATT any existing trade agreement between US and such country would be suspended as was done in case UK, France and other countries. It should be explained that TA Act will again be before Congress for renewal in period preceding June 30, 1949 and that consequently US Govt feels any tariff negotiations it might undertake under present Act must be concluded prior consideration by Congress legislation for its extension beyond June 30, 1949. Should be emphasized this is merely preliminary inquiry and should not be construed as proposal enter into tariff negotiations; that until response each Gov to which inquiry addressed is obtained, and the matter considered at Second Session of Contracting Parties, US cannot of course make any definite commitments. Moreover, under procedures required by Trade Agreements Act, we would have to issue formal public notice intention negotiate with other country including list products under consideration for granting concessions by US. Such notice would probably have to be issued by middle Oct at

latest and preferably earlier. Definitive negotiations could then be opened soon as practicable after first of year.

(c) Republic of Indonesia not to be included because Netherlands Indies presently included GATT, including Schedule II-C, as part Kingdom of Netherlands; Philippine Govt to be approached re accession GATT with explanation that trade agreement between Philippines and US prohibited under Philippine Trade Act of 1946 but probably no legal impediment on part US to Philippines becoming contracting party GATT, as amended by new Article XXXV at Habana; inquiry to be addressed to Transjordan Govt with statement inquiry not to be construed as diplomatic recognition of Transjordan by US Govt.

3. For time being foregoing for your background info only. As soon as response from Chairman Contracting Parties to proposal mentioned para 2(a) above obtained missions countries mentioned above will be instructed whether proceed as outlined para 2(b) and (c).<sup>3</sup>

MARSHALL

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<sup>3</sup> On July 9, after receiving word that Mr. Wyndham-White was addressing inquiries to non-GATT governments, the Department instructed United States Missions to proceed with the discussions. On August 18, the United States Delegation at Geneva reported in telegram 1023, not printed, that a follow-up had been sent to all countries not responding to the July 9 inquiry. The Department in a circular telegram, August 20, 1948, 4 a. m., not printed, asked its missions in ERP countries to "discuss this matter urgently with appropriate high officials and state US Govt earnestly hopes Govt you accredited is disposed seek early accession GATT and will so reply Chairman Contracting Parties. By such action it will be taking specific steps fulfil obligations reduce barriers to international trade embodied in OEEC Convention and reaffirmed in bilateral aid agreements recently concluded with US." (560.AL/7-948, 8-1848, 8-2048)

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560.AL/7-2848: Telegram

*The Secretary of State to the Embassy in Canada*

CONFIDENTIAL

WASHINGTON, July 28, 1948—7 p. m.

93. 1. Following is position US will take at Second Session Contracting Parties to GATT concerning principal agenda items other than scheduling tariff negotiations. Reference provisional agenda nos. (document GATT/CP2/6, July 20, 1948)<sup>1</sup> circulated by Wyndham-White:

4.<sup>2</sup> *Replacement GATT Arts (other than XIV and XXIV) by corresponding provisions Havana Charter in advance entry into force of Charter.*

US will oppose general replacement Article I and all Part II provisions GATT. If, however, strong widespread support develops for replacement particular GATT Arts such as XVIII by corresponding Charter provisions, US prepared consider such proposals on individ-

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<sup>1</sup> Not printed. The file copy bears the date July 19, 1948.

<sup>2</sup> The paragraph numbers of this telegram correspond to the numbered agenda items in GATT Document GATT/CP2/6.



ual article basis. US will oppose incorporation into GATT of Charter provisions such as Article 15 which though related GATT provisions have no exact corresponding counterparts.

8. *Chilean request for extension period signature protocol.*

US hopes Chile will be in position sign not later than end Second Session and will support acceptance such signature. However, would be prepared agree extension period not exceeding two months beyond closing date Second Session.

13. *Application mfn provisions GATT to occupied areas.*

US will propose special agreement in relation to GATT whereby signatories such special agreement would agree apply mfn provisions GATT to occupied areas Western Germany, Japan and Southern Korea. Proposed agreement would be open for adherence by non-GATT as well as GATT countries.

14. *Relations between US and its Pacific Trust Territories.*

US will request waiver of its GATT obligations whereunder for products of its Trust Territory US might grant free entry and unilaterally accord certain preferences, and under which customs union between such territory and other territories US might be established.

15. *GATT Article XV, Exchange Arrangements.*

(a) *Relations with IMF*

US will propose exchange of letters or similar arrangement between IMF and Contracting Parties to GATT provided a) that IMF agrees to cooperate with Contracting Parties in carrying out provisions GATT in accordance with terms thereof and, in particular, at request of Contracting Parties, to consult with Contracting Parties and render findings and determinations in accordance with para 2, Art XV; b) authorization for Chairman Contracting Parties to initiate requests, either at direction of Contracting Parties or on his own initiative if Contracting Parties are not in session, for Fund to consult with Contracting Parties and render findings and determinations pursuant para 2, Art XV.

(b) *Special exchange agreements*

US will propose establishment special committee for purpose implementing para 6 with following terms reference:

(a) Determine after consultation with IMF time within which a Contracting Party must comply para 6, such date not to precede third GATT session, to permit review and decide on terms any such arrangement.

(b) To prepare, in consultation with IMF and affected Contracting Parties, draft special exchange arrangement for consideration at third GATT session.

2. Pls discuss foregoing informally with appropriate officials with view obtaining support for US position.

3. For your info Dept making this approach to Govts Australia, Belgium, Canada, China, France, Netherlands and U.K.

MARSHALL

560.AL/7-2848

*Memorandum of Conversation, by the Chief of the Division of  
Financial Affairs (Spiegel)*

CONFIDENTIAL

[WASHINGTON,] July 28, 1948.

## Participants:

*Australian Embassy:*

Mr. Garside

Mr. Magee<sup>1</sup>*Department of State:*

Mr. Shullaw—BC

Mr. Corse—CP

Mr. Phelps—CP

Mr. Lewis—CP

Mr. Spiegel—CP

Mr. Garside was invited to come to the Department for a discussion concerning the position of the U.S. on the various items on the agenda for the second session of the Contracting Parties of the GATT (see also Deptel No. 169, July 29, to Canberra<sup>2</sup>).

After a few general comments on what happened at Habana, Mr. Corse began the discussion by saying that because of the very short session that has been planned (ten days), we felt it would be desirable to explain the position the U.S. expected to take on the various items that will be brought up at Geneva.

In explaining point 4<sup>3</sup> he said that the general provisions of the GATT corresponded to the language of the Geneva and not the Habana Charter, but the GATT provided for supersession of those GATT provisions with the corresponding provisions of the Habana Charter when it comes into force. At Habana proposals had been made to incorporate into the GATT immediately the corresponding Charter provisions. The U.S. opposed complete replacement of all the GATT provisions prior to the coming into force of the Charter, but agreed to replacing Articles XIV and XXIV with the Habana language, which had been done.

He stated that the U.S. position had not changed since Habana, that we are still opposed to complete supercession in advance of the coming into force of the Charter—point 4(a)—but that we would be prepared to consider the replacement of specific Articles—4(b). Mr. Phelps stated that early in June our Embassy at Canberra had discussed this point with Australian officials, who stated that Australia might favor 4(a). Mr. Phelps expressed the hope that Australia would change her position and support that of the U.S.

<sup>1</sup> Mr. J. U. Garside, Australian Commercial Counselor and Mr. P. F. Magee, Australian Commercial Attaché.

<sup>2</sup> Not printed.

<sup>3</sup> This is a reference to provisional agenda item 4 noted in telegram 93 to Ottawa *supra*.

Point 5 of the agenda is for the purpose of clarifying after the Charter comes into force the relations of Contracting Parties to the GATT who are not members of the ITO with those who are members. Mr. Corse stated that no agreement was reached on this point at Habana and that at the Geneva meeting the U.S. will support the proposal that GATT countries which are not members of the ITO will be governed by the GATT in their relations with ITO countries pending their becoming members of the ITO. Mr. Phelps mentioned the fact that the Department had been informed by our Embassy at Canberra that Australia is in agreement with the U.S. position on this point.

Mr. Corse said that point 6 presents difficulties for the U.S. because of the U.S. domestic situation, i.e., allegations of some Congressmen that the U.S. Executive Branch under GATT is creating a "little ITO" prior to the consideration of the ITO Charter by Congress. Therefore it is difficult for us even to agree to setting up a separate GATT Secretariat to function between meetings because this might be construed as an "international organization". At Habana the problem was met temporarily by an agreement among the Contracting Parties that all communications between the first and second sessions be addressed to the Chairman of the GATT, (Mr. Wilgress of Canada) in care of Mr. Wyndham White, Executive Secretary, ICITO. He said that the U.S. position on this item is still under consideration.

Point 7 is merely an affirmative report on which of the GATT countries signed the Protocol of Provisional Application, the status of the other protocols pertaining to the GATT, etc.

Mr. Garside asked if at the Geneva meeting the U.S. would be able to state which provisions of the GATT are and which are not inconsistent with existing U.S. legislation. Mr. Corse informed him that we would not be able to do so, although our studies to date have indicated only a relatively few cases where they are inconsistent.

With respect to point 8, it was stated that the U.S. would like to see Chile become a member of the GATT. Mr. Phelps also stated that we had informed the Chileans that we would like to see them come to Geneva prepared to sign the Protocol of Provisional Application, and that if that is not possible the U.S. would be willing to extend the period not to exceed two months beyond the closing date of the second session. This latter point, however, has not been communicated to the Chileans. Mr. Corse added that by this procedure it would be possible for Chile to get about four of the full six months' delay which it had requested.

In regard to points 9 and 10 Mr. Corse said that the Executive Secretary, Mr. Wyndham White, had sent inquiries to the countries which had participated in the Habana Conference, excepting the Republic of

Indonesia, asking them if they were interested in joining the GATT, including in conjunction therewith tariff negotiations. Subsequently we requested our missions in these countries to ascertain the reaction of these countries to Wyndham White's inquiry, and whether they would be interested in entering into purely exploratory discussions with the U.S. to see if a basis exists for tariff negotiations with this country. Mr. Phelps explained that although we are interested in extending the membership of the GATT, U.S. participation in an early program of tariff negotiations under GATT raises certain problems, in the light of the one year extension of the Trade Agreements Act. He said that if any negotiations are held by the U.S. under the present one year authority, it would be necessary to make the required public announcement not later than the middle of October and preferably in September. Mr. Phelps also mentioned that the Republic of Indonesia had not been approached because the Netherlands-Indies was presently included in the GATT as a part of the Kingdom of the Netherlands.

Mr. Corse said that with respect to points 11 and 12, i.e. renegotiations with Pakistan and Cuba, the U.S. has no position as yet. In any case we could not participate in any such negotiations at Geneva in view of our required domestic procedures of public announcements, hearings, etc. He also explained point 13 by saying that the Netherlands is having some difficulty with Cuba over consular fees.

Point 14 deals with a proposed clarification of the language of certain items in the GATT tariff schedules, none of which, it is believed, would be of direct interest to Australia.

It was pointed out that the U.S. has been interested in point 15 for some time, and that we tried to get a commitment concerning M-F-N treatment for the occupied areas, at both Geneva and Habana. It was explained that as long as Germany, Japan and Korea are under military occupation and the U.S. is pouring money into these areas, the U.S. feels strongly that their exports should get M-F-N treatment. Mr. Corse further explained that after occupation is ended these countries will be on their own feet, but until that time the U.S. will continue to press for M-F-N treatment for them. He agreed that this problem had been partially resolved in the ECA agreements.

Point 16 was also placed on the agenda at the request of the U.S. Mr. Corse said that organic legislation for U.S. trust territories has been submitted to Congress which permits exports from these trust territories to enter the U.S. free of duty and with certain preferences. Since this (i.e., institution of new preferences) is not permitted by the GATT the U.S. proposes to seek a waiver to permit such action under Article XXV of the GATT. On the other hand, under this proposed legislation imports into these territories from all countries including the U.S. would bear the same rate of duty. It was pointed out that

our position is analogous to the Australian position with respect to Papua and New Guinea.

Under point 17 the U.S. envisages a relatively informal arrangement between the GATT countries and the IMF. Mr. Phelps said that possibly an exchange of letters between the GATT chairman and the Fund would serve the purpose, and in this exchange it could be spelled out that the IMF would be prepared to consult and make the findings as envisaged under Article XV of the GATT. It was also explained that the GATT requires that special exchange agreements be negotiated between those GATT countries which are members of the Fund and those which are not yet members. Mr. Phelps said that the U.S. would propose that a drafting committee be set up at the second session of the Contracting Parties to deal with this matter, which could report to the third session of the Contracting Parties.

It was stated that we have no definite views as to the date for the third session of the Contracting Parties, point 18. Mr. Corse explained that the GATT provides for a meeting in January, if the ITO Charter has not entered into force, but that it might be desirable to postpone this meeting until a later date. Mr. Phelps mentioned that if a round of tariff negotiations should be scheduled for early next year such postponement would be desirable.

Mr. Corse closed the meeting by saying that we would welcome any comments which the Australians would have to offer, either on the agenda or on any points raised in today's conversation. Mr. Garside replied that since a copy of the agenda had already been sent to his Government he would report to it by reference to the agenda.

A copy of the agenda which served as a basis for the conversation is attached.<sup>4</sup>

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<sup>4</sup> Not printed.

560.AL/8-1348 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET

LONDON, August 13, 1948—6 p. m.

3678. For Brown and War for Draper from Leddy and Marbury.

1. Upon our arrival London Bliss had already urged with Makins desirability British support at Geneva for adoption open-end agreement covering all occupied areas including Japan. Makins replied this impossible in view time factor and also rejected proposal that agreement be left open for later British adherence on ground that agreement would be frozen and could not be reopened later if special difficulties should develop.

2. Makins pointed out that Bevin's letter to Douglas June 26<sup>1</sup> clearly indicated British unable commit themselves to completing consultation within any given time period and also that US had not yet approached British specifically on this question. In view this it seems clear Douglas has no basis for approaching Bevin at this time on grounds letter June 26. Accordingly we consider best course, the Ambassador and Bliss concur, is to make every effort obtain British support for third alternative position, namely drafting of agreement on Japan at technical level Geneva for firm negotiation at subsequent session GATT. Makins so far reluctant to make firm commitment to negotiate re Japan third session. He indicated to Bliss, however, that British would not object to multilateral agreement at Geneva incorporating commitments on Germany and FTT included in exchanged MFN notes in connection with ECA agreement.

3. ReEmbtel 3553, August 6,<sup>2</sup> Makins indicated UK still considering proposal affecting trust territories in view possible questions of principle or precedent involved.

Sent Department 3678; repeated Geneva 67 for Stinebower. [Leddy and Marbury.]

DOUGLAS

<sup>1</sup> The letter may be found in the London Post file 850 ITO (Lot 59 A 543, Box 217).

<sup>2</sup> Not printed.

560.AL/8-1448: Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

RESTRICTED

LONDON, August 14, 1948—2 p. m.

3689. For Brown (State) and Draper (Army) from Marbury for Stinebower and Leddy. British will cooperate in preparation of multi-lateral agreement on Germany. Douglas feels that it would be unwise to insist on British participation in drafting similar agreement on Japan but has strongly urged Foreign Office to instruct delegation at Geneva to begin informal exploratory talks on a multilateral basis. From latest indications it seems probable that Foreign Office will accept Douglas' suggestion but concurrence of President BOT must first be obtained early next week. Caffery not available until Monday. Leddy proceeding direct to Geneva. Marbury will see Caffery on Monday and then proceed Geneva. Upon his arrival US Delegation will ask that this matter be brought up for immediate consideration and reference to sub-committee to prepare final draft of multilateral agreement on Germany and to consider suggestions for tentative draft on Japan.

Sent Department 3689; repeated Geneva 68. [Marbury (for Stinebower) and Leddy.]

DOUGLAS

560.AL/8-1648: Telegram

*The Secretary of State to the Consulate at Geneva*

CONFIDENTIAL US URGENT WASHINGTON, August 16, 1948—6 p. m.

1096. For US Del GATT. For delivery before 10 AM, Aug 17.

1. Memo outlining forthcoming scheduling future negotiations within framework GATT (urtel 1033 [1003], Aug 15)<sup>1</sup> submitted President with recommended course of action stated therein as follows:

"We propose that the United States should encourage and participate in negotiations with as many countries as practicable. There are a number of countries with which we do not propose to negotiate, notably Argentina, Spain and the iron-curtain countries, with the possible exception of Finland.

"We would hope to complete any negotiations which may be scheduled within the terms of the present extension of the Trade Agreements Act, that is, before June 30, 1949. Approximately the following time schedule would be necessary: (a) Publication of formal notice of intention to negotiate, naming the countries and products involved, about October 15, 1948. (b) Public hearings on the list of products about December 1, 1948. (c) Opening of definite negotiations in March or April 1949."

President has approved foregoing except for changing date of public notice under (a) to Nov 15. This will of course advance date for public hearings to Dec 15. Consequently you should proceed on that basis but avoid disclosing now exact date for US public notice.

Full text memo transmitted airmail.<sup>2</sup>

2. Response so far US inquiry non-GATT countries re negotiations as follows:

(a) Colombia definitely interested. Denmark and Italy probably interested but no formal reply as yet. El Salvador interested.

(b) Following countries studying inquiry: Bolivia; Dominican Republic (interested in sugar); Mexico; Peru (doubtful); Siam; Sweden (interested in principle in acceding GATT but expressed doubt re proposed negotiating time schedule); Switzerland (doubtful); Transjordan; Turkey; Venezuela.

(c) Israeli Govt studying question whether it is not now a member of GATT since UK accepted GATT on behalf Palestine as mandated territory. Will send you Dept opinion this point later.

<sup>1</sup> Not printed.

<sup>2</sup> The memorandum for the President, "Forthcoming Scheduling of Future Tariff Negotiations within the Framework of the General Agreement on Tariffs and Trade," not printed, was approved by President Truman on August 14, 1948 (560.AL/8-1448).

(d) Argentina definitely not interested. Nepal not interested pending accession to UN.

3. Re para 2 urtel. Unable perceive why issue of leaving MFN agreement open for accession non-GATT countries should cause serious negotiating difficulties. Would think GATT countries would want others to accede. Question of whether GATT countries will let them do so is clearly relevant in a GATT meeting. Suggest that draft MFN agreement be put forward in present form permitting accession by non-GATT countries. If other countries then make issue re accession non-GATT countries and it appears that this point is significant stumbling block in getting agreement, we would be prepared re-consider. Army concurs.

4. Re para 2 Embtel 3678, Aug 13 from London, repeated Geneva as 67. Note that Trieste not included in present draft agreement because trade involved relatively unimportant and it was desired to avoid complicating problem. However, it would be desirable to include in agreement if this can be done without undue complication.

MARSHALL

560.AL/8-2348 : Telegram

*The Officer in Charge at Geneva (Tyler) to the Secretary of State*

CONFIDENTIAL      US URGENT      GENEVA, August 23, 1948-7 p. m.

1075. GATT 34. For CP Brown and Draper (Army) from Leddy and Marbury. French Legation received instructions today accept MFN agreement Germany. Text submitted this afternoon to plenary session. Discussion adjourned until Wednesday. British and Chinese will support but will probably not receive authority to sign prior to end of session. Other delegations including Canada, Australia and Ceylon are asking new instructions. Expect approval but doubt whether many signatures can be obtained prior to end of session. British instructed not to participate in any committee consideration of MFN agreement as to Japan. China, Australia and New Zealand have similar instructions and other delegates have indicated inability to cooperate. Under circumstances we believe wisest to continue informal discussions and submit text of agreement Japan on last day of plenary session for final consideration at next GATT meeting. [Leddy and Marbury.]

TYLER



560.AL/9-348 : Circular telegram

*The Secretary of State to Certain Diplomatic Missions*<sup>1</sup>

CONFIDENTIAL

WASHINGTON, September 3, 1948—11 a. m.

Notwithstanding cirtel Aug 20,<sup>2</sup> following ERP countries have not accepted invitation participate forthcoming tariff negotiations looking their early accession GATT: Austria, Iceland, Portugal, Switzerland, Turkey. Dept will not take further steps now press these Govts agree participate spring negotiations. ECA concurs.

Sent missions countries mentioned above and Paris for Harriman.

MARSHALL

<sup>1</sup> Sent to United States diplomatic missions in Austria, Iceland, Portugal, Switzerland, Turkey, and France.

<sup>2</sup> See footnote 3 to circular telegram, July 8, 1948, 8 a. m., p. 926.

560.AL/9-448 : Telegram

*The Officer in Charge at Geneva (Tyler) to the Secretary of State*

CONFIDENTIAL

US URGENT

GENEVA, September 4, 1948—4 p. m.

1199. GATT 74. For Army (Draper) from Marbury. Statement made at plenary session of intention to submit MFN agreement Japan at later date for action at next session GATT. Believe further action this session would prejudice present good prospects for signature MFN agreement Germany by substantial number CP's. Nearly all delegations including Canada and Netherlands have indicated that presentation of Agreement Japan at this session would be embarrassing. Discussions have clarified issues so that form of agreement Japan should present no difficulty but further bilateral discussions with number of governments essential before favorable consideration possible. Expect to take no further action Japan this session unless otherwise instructed. [Marbury.]

TYLER

560.AL/9-848 : Telegram

*The Officer in Charge at Geneva (Tyler) to the Secretary of State*

CONFIDENTIAL

US URGENT

GENEVA, September 8, 1948—4 p. m.

NIACT

1222. GATT 85. Following delegations have requested or received authority sign agreement occupied areas Western Germany at Geneva: Belgium, Brazil, Canada, France, Luxembourg, Netherlands, Norway, Pakistan, South Africa, UK. New Zealand indicates government will probably consider agreement favorably if taken up later through US

Embassy Wellington and this probably also true Australia. Uncertain whether China will sign now, but probably will sign eventually. Syria has no substantive objection, but unable sign without concurrent signature by Lebanon. Lebanese delegate (Mobarak) states he personally unable see desirability applying lower duties to German goods with consequent loss customs revenue, but considers Lebanese Government probably would agree sign as gesture friendship US if approached by American Legation Beirut. Accordingly, suggest American Legations Damascus and Beirut urge Syrian and Lebanese Governments sign agreement (for which full power needed) either at Geneva (probably September 13) or soonest thereafter at Lake Success.

India (Pillai and Adarkar) cagey as to whether will sign here. Adarkar indicates any signature here probably *ad referendum* but has no real doubt as to eventual acceptance of agreement by government.

UK indicates probability signature *ad referendum* (see GATT 82<sup>1</sup>).

Sent Department 1222, repeated London 103, New Delhi, Damascus, and Beirut unnumbered.

TYLER

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<sup>1</sup> Telegram 1214 from Geneva, September 7, not printed. The MFN agreement for western Germany was opened for signature at Geneva on September 14 and 9 countries signed immediately. Additionally Brazil, Ceylon, India and the Union of South Africa signed *ad referendum*. For text, see United Nations Treaty Series, vol. 18 (1948), pp. 267 ff., or TIAS No. 1886.

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### Editorial Note

Another major initiative undertaken by the United States at the Second Session of the Contracting Parties looked towards the implementation of Article XV of the General Agreement on Tariffs and Trade, which called for cooperation between the Contracting Parties and the International Monetary Fund with regard to the interrelated questions of exchange rates and quantitative restrictions. On August 24 the Contracting Parties accepted a United States proposal dated August 18 (introduced by the United States delegate, John M. Leddy) which formulated the drafts for an exchange of letters between the Contracting Parties and the Fund which established cooperative arrangements between the two with regard to Article XV. The decision of the Contracting Parties had the approval of the International Monetary Fund observer at the Second Session, Ahmed Zaki Saad. The texts of the letters subsequently exchanged are printed *infra*.

International Trade Files, Lot 57D284, Box 108

*United States Delegation Paper (Second Session of the  
Contracting Parties)*

RESTRICTED

[GENEVA,] 14 September 1948.

LETTER FROM THE CHAIRMAN OF THE CONTRACTING PARTIES TO THE  
MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY FUND RE-  
GARDING RELATIONS OF THE CONTRACTING PARTIES WITH THE IN-  
TERNATIONAL MONETARY FUND

The following letter has been sent on 9 September in accordance with the decision of the Contracting Parties at their eleventh meeting on 24 August 1948.

"The General Agreement on Tariffs and Trade, which has now been put into provisional application by all but one of the countries participating in the negotiation thereof, provides in paragraph 1 of Article XV as follows:

'The CONTRACTING PARTIES shall seek co-operation with the International Monetary Fund to the end that the CONTRACTING PARTIES and the Fund may pursue a coordinated policy with regard to exchange questions within the jurisdiction of the Fund and questions of quantitative restrictions and other trade measures within the jurisdiction of the CONTRACTING PARTIES.'

Throughout the Agreement various provisions call for consultation or agreement between the CONTRACTING PARTIES, that is the contracting parties to the General Agreement acting jointly, and the International Monetary Fund on matters of common concern. In particular, paragraph 2 of Article XV calls for a wide range of consultation, and paragraph 3 of Article XV provides:

'The CONTRACTING PARTIES shall seek agreement with the Fund regarding procedures for consultation under paragraph 2 of this Article.'

In view of the fact that the General Agreement on Tariffs and Trade has been given only provisional rather than definitive application, it is the view of the CONTRACTING PARTIES that an elaborate agreement to implement paragraph 3 quoted above is not necessary at this time. However, questions may arise in the interim which would require the CONTRACTING PARTIES to seek the co-operation of the Fund.

Under such circumstances it is proposed by the CONTRACTING PARTIES that the Fund agree to co-operate with the CONTRACTING PARTIES in carrying out the provisions of the General Agreement in accordance with the terms thereof and, in particular, to consult, at the request of

the CONTRACTING PARTIES, on matters as contemplated by the General Agreement. If such cases arise, the Chairman of the CONTRACTING PARTIES will notify the Managing Director of the Fund of each particular instance in which the CONTRACTING PARTIES desire consultation and will furnish the Fund with all information available which may assist the Fund in considering the question. Since various provisions of the General Agreement call for consultation between the CONTRACTING PARTIES and the Fund, it might be necessary in particular cases to await a meeting of the CONTRACTING PARTIES before formal consultation could be undertaken. However, the CONTRACTING PARTIES have authorised their Chairman to initiate requests, either at the direction of the CONTRACTING PARTIES or on the Chairman's own initiative if the contracting parties are not in session, for the Fund to consult with the CONTRACTING PARTIES in accordance with the provisions of the General Agreement. This arrangement should make it possible for the Fund to undertake with a minimum of delay such studies as may be necessary and should afford the Fund opportunity to become familiar with the subject matter involved in advance of consultation with the CONTRACTING PARTIES in particular cases.

The Fund may from time to time wish to request consultation with the CONTRACTING PARTIES on matters of common interest, and, in such cases, the CONTRACTING PARTIES will be prepared to consult upon such requests.

Any request for consultation by either the Fund or the CONTRACTING PARTIES shall be accompanied by available information which would contribute to the effectiveness of the consultation. In such cases, due regard shall be paid to the need to safeguard confidential information and to any special obligations of the Fund and the CONTRACTING PARTIES in this respect.

The particular procedures in implementation of these arrangements can be worked out case by case until sufficient experience has been acquired on the basis of which more formal procedures can be developed if necessary.

If the foregoing arrangements are acceptable to the Fund, a reply to that effect would be appreciated."

International Trade Files, Lot 57D284, Box 108

*United States Delegation Paper (Second Session of the  
Contracting Parties)*

RESTRICTED

[GENEVA,] 4 October 1948.

LETTER FROM MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY  
FUND IN REPLY TO THE LETTER FROM THE CHAIRMAN OF THE CON-  
TRACTING PARTIES

The following letter has been received in reply to the letter sent by the Chairman of the Contracting Parties on 9 September:

"Sept 28 1948.

"I beg to acknowledge receipt of your letter of September 9, 1948, concerning the future cooperation between the International Monetary Fund and the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade in carrying out the provisions of the General Agreement.

"The Fund agrees with you that an elaborate agreement on cooperation is not necessary at this time and that this informal arrangement of an administrative character constitutes a satisfactory basis for consultation and cooperation between the International Monetary Fund and the CONTRACTING PARTIES.

"I take pleasure in agreeing on behalf of the International Monetary Fund to the provisions of your letter of September 9, 1948."

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International Trade Files, Lot 57D284, Box 108

*Department of State Press Release No. 766 Issued at Washington  
September 22, 1948*

The second session of the contracting parties to the General Agreement on Tariffs and Trade, which opened in Geneva on August 16, completed its work on September 14. It has laid plans designed to increase further the value of the Agreement to the countries already parties, including the United States, and to enable more countries to become parties.

Under the General Agreement itself, negotiated in 1947 by the United States and twenty-two other countries, each country agrees to certain general rules for the conduct of its international trade and grants to all the others a schedule of specific concessions in its tariff treatment of imports, including reductions in tariffs, bindings of moderate rates or of free treatment, reductions or eliminations of preferences, and the like. These concessions cover about one-half of total world trade.

*Accession of new countries*

The major accomplishment of the meeting just ended is adoption of procedures for bringing additional countries into the Agreement as rapidly as possible through tariff negotiations with them. On inquiry by the contracting parties it was found that several countries not yet parties are definitely interested in early accession. A timetable was accordingly adopted for negotiations with them. Requests for concessions are to be exchanged between the present parties and the new countries and also among the new countries by January 15, 1949. Definitive negotiations are scheduled to open at Geneva on April 11, 1949. The new countries which will negotiate are: Denmark, Dominican Republic, El Salvador, Finland, Greece, Haiti, Italy, Nicaragua, Peru, Sweden, and Uruguay.

So far as the United States is concerned, negotiations will be conducted under the usual trade-agreement procedure as recently amended by the Trade Agreements Extension Act of 1948. The customary notice of intention to negotiate, accompanied by announcement of products to be considered for possible concession by this country, will be made as soon as the necessary preparatory work is completed by the inter-departmental trade-agreements organization.

*Other Tariff Negotiations*

Except in certain special cases there will be no reopening of negotiations among the countries which are already parties to the Agreement. However, Brazil was granted temporary permission to establish rates on three items which are higher than otherwise permitted under the General Agreement, in consideration of the fact that the Brazilian Congress has applied rates on a number of other items which are lower than the maximum permitted by the Agreement. Within 60 days the interested countries are to negotiate a definitive adjustment of the concessions involved. Ceylon and Pakistan were also authorized to renegotiate certain concessions which each had granted to other countries. Cuba was granted permission to renegotiate with the United States the rates of duty on six items which Cuba is finding it difficult to apply as originally negotiated, the understanding being that the United States is to receive full compensation for any modifications agreed to. These adjustments are to be worked out bilaterally subject to final action at the time of the negotiations next spring. Any other negotiations among countries already parties to the Agreement are likely to be in the nature of completion of work which it was not possible to finish at the 1947 conference, none of it involving the United States.

*Most-favored-nation treatment for western Germany*

One of the most important achievements of the conference was agreement by a substantial number of countries to extend to western Germany most-favored-nation treatment with respect to merchandise trade on a reciprocal basis. This undertaking is incorporated in a separate document, not a part of the General Agreement on Tariffs and Trade, and was opened for signature on September 14. So far nine countries have signed, and it is expected that most of the remaining countries represented at the meeting will sign in the near future.

*Modification of General Agreement*

Some changes were also made in the Agreement which it was felt by the contracting parties were an improvement over the original text. These changes were based largely on work done at the Havana Trade Conference subsequent to the conclusion of the General Agreement.

In addition, Chile was accorded an extension of time, to February 17, 1949, in which to become a contracting party to the Agreement even though, after negotiating concessions at Geneva, Chile did not put the Agreement provisionally into effect by June 30, 1948, the time originally set.

Arrangements were made under which the United States will be free to accord preferences to imports from the Trust Territory of the Pacific Islands. Though technically this constitutes establishment of a new preference, it will permit the working out of a trading arrangement which will promote the advancement of the peoples of the trust territory consistent with the United States' obligations under this country's Trusteeship Agreement with the Security Council of the United Nations.

*Cuban-American Trade*

During the session just ended, the United States submitted to the contracting parties under Article XXIII of the General Agreement a problem arising out of an import licensing system applied by Cuba with respect to a wide range of products, including raw cotton and cotton, rayon and wool fabrics and wearing apparel. Cuba's action had the effect of preventing the importation of these products from the United States and other countries, thus nullifying in considerable part the benefits granted by Cuba in the General Agreement. The contracting parties recommended that Cuba promptly take steps to relieve the immediate difficulties and to consult with representatives of the United States Government at Havana with a view to finding a mutually satisfactory solution of the problems that have arisen in connection with the Cuban import controls under Cuban Resolution

530. On September 14 the Cuban Government issued a resolution removing the restrictions on the importation of all products except piece-goods remnants and waste other than industrial. The restrictions on the importation of these products will be discussed between the Cuban Government and the United States Embassy at Havana.

560.AL/9-1748

*The Acting Chairman of the Interdepartmental Committee on Trade Agreements (Willoughby) to the Acting Chairman of the United States Tariff Commission (Edminster)*

CONFIDENTIAL

WASHINGTON, September 17, 1948.

MY DEAR MR. EDMINSTER: This is to confirm the informal request made of the Tariff Commission on July 9, 1948, on behalf of the Trade Agreements Committee, for the following information to be used in the preparations for the tariff negotiations between the Contracting Parties to the General Agreement on Tariffs and Trade and other countries scheduled to open at Geneva on April 11, 1949:

1. Tabulation on basis of United States import statistical classes of United States imports (including both dutiable and free items) of which any one of the following countries was first, second or third supplier in either 1939 or 1947:

*American Republics*

Argentina  
Bolivia  
Colombia  
Costa Rica  
Dominican Republic  
Ecuador  
El Salvador  
Guatemala  
Haiti  
Honduras  
Mexico  
Nicaragua  
Panama  
Paraguay  
Peru  
Uruguay  
Venezuela

*Near and Far East*

Afghanistan  
Egypt  
Ethiopia  
Israel  
Iran  
Iraq  
Liberia  
Philippines  
Saudi-Arabia  
Siam  
Transjordan  
Turkey  
Yemen



*Europe*

Austria  
Denmark  
Finland  
Greece  
Iceland  
Ireland  
Italy  
Portugal  
Sweden  
Switzerland

*British Commonwealth*

Nepal

2. Assembly by individual countries of the data mentioned in 1 above for the following countries:

Denmark	Italy
Dominican Republic	Nicaragua
El Salvador	Sweden
Finland	Uruguay
Greece	Colombia
Haiti	

In addition to trade statistics for the countries listed in 2, the information should include relevant data on the tariff, especially the rate in the Tariff Act of 1930, the January 1, 1945 rate, the present rate, and the rates under existing trade agreements.<sup>1</sup>

The Contracting Parties to the General Agreement, during their Second Session at Geneva, which ended September 14, formerly approved the following timetable for these negotiations:

1. Notification by the Secretariat of the Contracting Parties, not later than September 18, 1948, of the list of Governments which will participate in the next series of negotiations, i.e., the present Contracting Parties and the other Governments which wish to participate with a view to early accession to the Agreement. This date is subject to extension, however, in exceptional circumstances affecting certain acceding Governments. On the basis of present preliminary information, the countries listed under 2 above are expected to participate in the negotiations with the Contracting Parties. I shall be glad to inform you of any subsequent modifications of this list resulting from the notification by the Secretariat of the Contracting Parties.

2. Exchange of preliminary request lists between the United States and other Governments desiring to accede not later than October 31, 1948. (A special case is made of the United States because of our statutory procedures.)

3. Exchange between all participating Governments of definitive request lists including rates of duty not later than January 15, 1949.

<sup>1</sup> In a letter of September 23, Mr. Willoughby asked Mr. Edminster to add Peru to category 2, since Peru had notified Mr. Wyndham-White, that it intended to participate in the negotiations with the contracting parties to the GATT, with a view to its accession to that agreement. (560.AL/9-1748)

4. Exchange of definitive offer lists, in response to the request lists under 3, at the opening of the conference at Geneva on April 11, 1949.

As you will readily see, the foregoing establishes a very tight timetable. In order for us to transmit our definitive request lists by January 15, it will be necessary to hold the public hearings in December. This means that we shall have to issue the usual public notice very early in November, probably on November 5 if the President approves. Allowing a month for the submission of briefs, this would make it possible to set December 6 as the closing date for filing briefs, and December 13 as the date for opening the public hearings.

Consequently, in order that the Country Committees and the Trade Agreements Committee may be able to prepare the list of items to accompany the public notice, it will be greatly appreciated if the data outlined above can be submitted to the Committee in the very near future, and if possible not later than September 30. In accordance with the suggestion made by members of your staff in informal discussion of this matter, it may be necessary, in order to complete the work by September 30, to exclude detailed data on the duty-free items if total imports in 1939 or 1947 did not exceed \$10,000.

Sincerely yours,

WOODBURY WILLOUGHBY

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560.AL/9-2048 : Telegram

*The Acting Secretary of State to the Embassy in Thailand*

CONFIDENTIAL

WASHINGTON, September 22, 1948—7 p. m.

493. Following complete timetable second series GATT negotiations set forth memo approved by Contracting Parties at Geneva, copy being forwarded airmail (urtel 754 Sept 20, 9 a. m.<sup>1</sup>): (1) circulation by Secretariat GATT not later than Sept 18 list countries participating tariff negotiations opening Geneva April 11, 1949 (including contracting parties and those wishing accede); (2) exchange copies customs tariffs trade statistics participants not later than Sept 25; (3) submission to US Govt not later than Oct 31 by acceding Govts lists products on which they ask US concessions but without indication rate duty asked; (4) submission other participating Govts not later than Nov 30 preliminary lists concessions to be asked of them; (5) submission not later than Jan 15 definitive request lists to participating Govts; (6) exchange definitive offers in response request lists under (5) at opening conference Geneva April 11.

Ref memo emphasizes necessity adhering timetable strictly far as possible but acknowledges certain acceding Govts may be unable

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<sup>1</sup> Not printed.

reasons beyond control notify decisions re participation by Sept 18. Memo states Govts nevertheless expected take necessary action within very short time after dates prescribed and conform to remainder timetable in order make negotiations practicable.

Submission to US of request lists not later Oct 31 necessary because our requirement public notice and list under TA act. If Siam desires negotiate concessions from US must submit list concessions desired not later Oct 31.

Re your question last sentence, for urinfo acceding Govts must be ready upon request negotiate tariff concessions with any contracting party including US and must be willing undertake exploratory conversations with US determine whether basis such negotiations exists. Shld such conversations indicate no basis for concessions exists negotiations of course unnecessary. See Depcirtel July 8. Cursory check indicates Siam principal supplier teak lumber and zircons.

LOVETT

560.AL/10-2848

*Memorandum by the Chief of the Division of Commercial Policy (Willoughby) to the Chief of the Division of International Conferences (Kelchner)*

[WASHINGTON,] October 28, 1948.

At the Second Session of the Contracting Parties to the General Agreement on Tariffs and Trade (GATT) held at Geneva in August 1948, it was decided that a third session should be held in Geneva beginning April 8, 1949. The agenda will include consideration of a number of general policy questions relating to GATT and certain adjustments in GATT. The most important of these adjustments will result from bilateral renegotiation of certain GATT concessions between the U.S. and other countries with Brazil, Ceylon, Pakistan and Cuba, which are at present under way with the approval of the Contracting Parties.<sup>1</sup> The agreements reached in these bilateral negotiations will be subject to final action at the Third Session. It was also decided to invite certain governments not signatories to GATT to enter into negotiations to accede to GATT. Up to the present time the following countries have accepted this invitation: Denmark, Dominican Republic, El Salvador, Finland, Greece, Haiti, Italy, Nicaragua, Peru, Sweden, and Uruguay. (See the attached press release for further details<sup>2</sup>). The meeting to conduct these negotiations will begin at Geneva on April 11, 1949.

<sup>1</sup> For background, see the Department of State *Bulletin*, October 3, 1948, pp. 445-446, and *ibid.*, October 24, 1948, p. 527.

<sup>2</sup> Not attached to file copy; presumably it was Press Release 766 of September 22, printed in *ibid.*, October 3, 1948, pp. 445-446.

It is the purpose of this memorandum to apprise you of these developments in order that timely preparation may be made for the forthcoming meetings.

It will be recalled that the negotiation of GATT by the U.S. and 22 other countries constituted the most comprehensive action ever undertaken to reduce barriers to world trade, including as it did an exchange of tariff and other concessions covering more than half of total world trade. The forthcoming tariff negotiations will extend significantly the area and the volume of world trade covered by this comprehensive code of fair conduct for international trade, and will represent a significant advance of this Government's objectives under the Trade Agreements Program.

The delegation required for the tariff negotiations will be considerably smaller than that required for the original negotiation of GATT. Nevertheless, a negotiation by as many as 23 countries (the Contracting Parties) with 11 or 12 additional countries (the participation of Colombia is not yet certain) involves negotiating problems of great complexity. It should also be pointed out that the difficulty of tariff negotiations does not vary proportionately with the size of a country. In fact, the negotiations with some of the smaller countries at the forthcoming meeting may involve more complex problems and more difficult negotiating problems than did the negotiations with the more important original Contracting Parties. As in the case of the original GATT negotiations, however, the multilateral negotiating procedure will result in a substantial net saving compared to the cost of carrying out the negotiations separately with each country.

It is contemplated that U.S. participation in the Third Session of the Contracting Parties (as distinct from the tariff negotiating meeting) can be handled by members of the delegation to the tariff negotiations and no separation of the delegations for the two meetings is therefore necessary.

It is estimated that the U.S. Delegation to the tariff negotiating meeting and the third session of the Contracting Parties will require a total membership of approximately 100, in two general categories:

1. Negotiating personnel, including Trade Agreements Committee and negotiating teams
2. Technical, secretariat and administrative personnel.

[Here follows a detailed listing of the personnel needed by the delegation.]

It is estimated that the Third Session will last from April 11 to June 30 although the negotiations may possibly go into July (fiscal 1950).

560. AL/11-848

*The Director of the Office of International Trade Policy (Brown) to the Counselor of Embassy for Economic Affairs in Sweden (Peterson)*

RESTRICTED

WASHINGTON, December 2, 1948.

INFORMAL—OFFICIAL BUSINESS

DEAR PETE: You requested in your letter of November 8 information concerning Congressional action on the ITO Charter.<sup>1</sup> The Department is now developing its legislative program and the ITO Charter is the economic item having highest priority. There seems to be little doubt but that the Charter will be presented fairly early during the forthcoming session. It is significant to note that the Democratic party platform stated specifically, "We strongly indorse our country's adherence to the International Trade Organization."<sup>2</sup>

We are now, as you might expect, to some extent entangled in the political process, for a decision on how and when the Charter should be submitted depends in part on the organization of the Congress. We hope to take full advantage of the White House-Congressional leadership contacts, and we will wish to be guided by these political judgments, particularly with respect to the timing of presentation.

For your own information, it now appears that we shall send the Charter up in the form of a joint resolution, although a decision has not been made as to whether it should be handled by the Foreign Affairs and Foreign Relations Committees or the Ways and Means and Finance Committees. There are questions of this character, the answers to which depend substantially upon political judgments which we hope will emerge from the White House and Congressional leaders. You may certainly reaffirm to the Swedes that we propose to make every effort to obtain Congressional approval as quickly as possible.

I hope that you will be able to use this somewhat inconclusive information with good effect insofar as Swedish plans for ratification of the Charter are concerned.

With all good wishes,

Sincerely yours,

WINTHROP G. BROWN

<sup>1</sup> In his letter of November 8, 1948, not printed, Mr. Peterson noted that Swedish ratification was dependent on American plans, because the Swedes felt that "since ITO is fundamentally an American project, carried forward with great vigor by stimulation from the American side, small countries like Sweden . . . would be slow in ratifying the Charter until they knew what the United States was going to do regarding ratification." (560.AL/11-848)

<sup>2</sup> On Election Day, November 2, 1948, the Democratic Party candidate for the presidency, President Harry S. Truman, was elected; and a Democratic Party majority was elected to the two Houses of Congress.

# THE BASES OF THE FOREIGN COMMERCIAL POLICY OF THE UNITED STATES

## I. EXTENSION BY THE CONGRESS OF THE RECIPROCAL TRADE AGREEMENT AUTHORITY OF THE PRESIDENT

### *Editorial Note*

On March 1, 1948, President Truman in a special message to the Congress, requested an extension of the Reciprocal Trade Act which for the previous 14 years had "been an essential element of United States foreign policy." Secretary Marshall testifying before a House of Representatives Ways and Means subcommittee on May 6, 1948, stated that the act was "the cornerstone and keystone of our foreign economic policy." For texts, see Department of State *Bulletin*, March 14, 1948, pages 351-352; and *ibid.*, May 16, 1948, pages 651-652.

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*Current Economic Developments*,<sup>1</sup> Lot 70D467

*Extract From Bulletin No. 151, May 17, 1948*

SECRET

### DEPARTMENT VIEWS ON PROPOSED BILL EXTENDING TRADE AGREEMENTS ACT

The Department is opposed to the proposed bill for a one-year extension of the Reciprocal Trade Agreements Act through June 30, 1949, sponsored by Representative Gearhart and recently approved by the Ways and Means Committee of the House of Representatives. We believe that the proposed bill's requirements make impossible the negotiation of a trade agreement within the time allowed and that, although the bill appears to permit the program to continue, it actually sets up such conditions as to make it unworkable.

The bill provides that after the preparation of the usual published list of import products to be considered for the possible granting of concessions in the agreement, and before entering into such agreement, the Tariff Commission shall report to the President with regard to such products: 1) the extent to which duties and other import restric-

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<sup>1</sup> Master set of the Department of State classified internal publication *Current Economic Developments* for the years 1945-1969, as maintained in the Bureau of Economic Affairs (FRC Accession No. 72, A6248, Boxes 218-224).

tions may be modified; or 2) the extent to which additional import restrictions may be imposed; or 3) the maximum periods (if any) for which obligations may be undertaken to continue existing customs or excise treatment, without causing or threatening serious injury to domestic producers or impairing the national defense. The bill also provides that the President shall submit to Congress for its veto any agreement which would involve any tariff action exceeding that recommended in the Tariff Commission report.

*Department's Position*—The Department finds the proposed bill objectionable in the following respects: One-year extension provides insufficient time to organize effectively and carry through necessary negotiations, especially since the requirement that no agreement may be entered into until the Tariff Commission has reported to the President may cause considerable delay. The bill places upon the Tariff Commission, in effect though not in terms, the sole responsibility for determining how far a tariff rate may be cut. This would concentrate upon the Commission the full weight of pressures of special interests. The Department feels an unnecessary burden is placed on the Commission in the requirement that it determine for each product considered the maximum tariff concession which could be made without injury, regardless of whether as a matter of policy and balance in the negotiation the President would wish to offer that much of a cut. Also objectionable is the requirement that the Tariff Commission should not participate in the recommendations to the President nor in the negotiation of any agreement. Thus, the President is deprived of the services of competent officials. The Department feels also that the President would be put in an improper position in the event he found it in the public interest to exceed the limits set by the Tariff Commission. He would have to submit to the Congress the decision of a disagreement between himself and an administrative agency which, though created by Congress, is nevertheless operated by his own appointees.

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#### *Editorial Note*

President Truman on June 26, 1948, signed HR 6556, the Trade Agreements Extension Act of 1948 (62 Stat. 1053) which continued the program for one year and contained provisions which the President felt would "bamber and obstruct the negotiation of new agreements". For the text of President Truman's statement, see: *Public Papers of the Presidents: Harry S. Truman: 1948* (Washington: Government Printing Office, 1964), pages 385-386. On October 5, 1948, the President signed an executive order prescribing revised procedures for administering the trade agreements program. For text see: Department of State *Bulletin*, October 17, 1948, pages 502-503.

## II. PROGRESS OF THE PROGRAM TO NEGOTIATE NEW TREATIES OF FRIENDSHIP, COMMERCE, AND NAVIGATION<sup>1</sup>

*Current Economic Developments*, Lot 70D467

*Extract From Bulletin No. 165, August 23, 1948*

CONFIDENTIAL

### TREATY PROGRAM MOVES FORWARD

Since the first of the year we have moved forward in our program for the modernization and extension of our commercial treaty structure by initiating negotiations for treaties of friendship, commerce and navigation with Australia, France and Ireland. In addition, draft treaties have recently been presented to India, Iran, the Netherlands, New Zealand, Pakistan and the Union of South Africa. We have forwarded to Embassy Brussels a draft treaty to be discussed with Belgium and are planning presentation of proposals to the Colombians who have indicated that they wish to conclude a treaty with us. We are also considering presentation of proposals to Uruguay.

The treaties with Italy and China, negotiation of which was concluded some time ago, are awaiting exchange of ratifications. (See page 16, January 19, 1948 issue of *Current Economic Developments*.<sup>2</sup>) The Lebanese government continues to withhold signature of the treaty, negotiation of which was concluded last year.

Negotiations with the Philippines, which have reached an advanced stage, are being delayed by the serious problems which have arisen in the form of concessions requested by the Philippines. The Czech negotiations, which had been initiated in 1947, were dropped following the Communist coup. Although we presented draft treaties during 1946 and 1947 to Brazil, Chile, Cuba, Egypt and the UK, negotiations have not yet been undertaken with these countries.

<sup>1</sup> For previous documentation, see *Foreign Relations*, 1946, vol. I, pp. 1367 ff.

<sup>2</sup> Not printed.

## III. PROGRESS OF THE PROGRAM FOR THE NEGOTIATION OF CONVENTIONS FOR THE AVOIDANCE OF DOUBLE TAXATION

*Current Economic Developments*, Lot 70D467

*Extract From Bulletin No. 174, October 25, 1948*

SECRET

### TAXATION TREATY PROGRAM REVIEWED

The US is proceeding with its program of negotiating treaties with other countries to avoid double taxation and to promote administra-



tive cooperation in the assessment and collection of taxes. There are in effect at the present time six tax conventions with four different countries—treaties dealing with income taxes with Sweden, France, Canada, and the UK, and those covering death taxes with Canada and UK. Treaties for the avoidance of double taxation of income have been signed with Netherlands and Denmark, and approved, with reservations, by the US Senate. They are now awaiting action by the parliaments of the respective countries.<sup>1</sup> A treaty with France, revising the income tax treaty of 1939, which will remain in effect, and covering estate taxes in addition, has also been approved by the US Senate, but similar action has not yet been taken by France. We have arrived at various stages in the development of conventions with South Africa, New Zealand, Belgium, Luxembourg, Mexico and Australia. Negotiations with Italy, Greece, Norway, and Eire have been agreed upon and are expected to start during late 1948 and 1949.

A convention for the avoidance of the double taxation of incomes by the US and Union of South Africa was signed in December 1946, while one on the double taxation of estates was signed by the two countries in April 1947. Both of these treaties, as well as a treaty with New Zealand, are now pending before the US Senate Foreign Relations Committee.

A draft income tax convention with Belgium, which was preliminarily formulated in 1946, has now been finally agreed upon, and is expected to be signed shortly. Final agreement is being sought on a similar convention with Luxembourg and this agreement and the signing of the convention, as well, are anticipated for the near future. It is hoped that both conventions will be signed in time for submittal early in the first session of the eighty-first Congress.

Tax treaty negotiations with Mexico were carried through an advanced drafting stage by mid-1947, since which time no further progress has been made. Negotiations are again planned for early 1949 with the hope that a convention can be concluded.

Discussions looking toward the negotiation of a tax treaty or treaties between Australia and the US have been conducted by informal correspondence between high tax officials of the two countries over a considerable period of time. However, when the possibility of negotiating such treaties was considered in the Australian cabinet the latter, without quite closing the door, indicated that there was little need or basis for a treaty on income taxes, but some possibility in relation to estate taxes. The US reply to an Australian note outlining this position urged that, while we could not state exactly what form the conventions would

<sup>1</sup> On November 12, 1948, the Danish Parliament approved the double taxation convention with the United States.

take nor what items they might cover, a technical mission be authorized to discuss both income and estate tax conventions.

A US mission has just departed for Rome and Athens to start negotiations leading to the conclusion of tax conventions with Italy and Greece. Discussions with Eire and Norway are expected to take place during the early part of 1949.

Much consideration was given to tax conventions in preparing the agenda for the Ninth International Conference of American States held at Bogotá last spring. Circumstances prevented full discussion of this topic in the conference, but an article in the Economic Agreement of Bogotá provides that the member states shall negotiate conventions for the avoidance of double taxation. The Economic Agreement has not yet been ratified and put into effect, and discussions with individual countries have not yet ripened into the negotiation stage, except in the case of Mexico, cited above.

Income and estate tax conventions were being negotiated with the Philippines in 1947, but no final agreement was reached at that time. Negotiations have been suspended and it is not known whether they will be resumed.

#### IV. STATEMENT OF UNITED STATES FOREIGN CREDIT AND INVESTMENT POLICY

800.51/8-2348

*Memorandum by the Secretary of State to the President*

SECRET

WASHINGTON, August 20, 1948.

Subject: Statement of United States Foreign Credit and Investment Policy

There is submitted herewith for your approval a summary statement of this Government's foreign credit and investment policy intended to serve as a guide to Executive agencies, United States missions abroad and, when appropriate, to United States representatives on international bodies.<sup>1</sup> The statement, in which I concur, has been approved by the National Advisory Council as well as the Executive Committee on Economic Foreign Policy.<sup>2</sup>

<sup>1</sup> The Statement was approved by President Truman on August 23, 1948.

<sup>2</sup> The National Advisory Council on International Monetary and Financial Problems (the NAC) was a statutory body established pursuant to the Bretton Woods Agreements Act of July 31, 1945 (59 Stat. 512); it was an interdepartmental committee for the coordination of United States foreign financial policies (see *Foreign Relations*, 1946, vol. 1, pp. 1399 ff.). The Executive Committee on Economic Foreign Policy (the ECEFP) was established on April 18, 1944 by executive authority; it was an interdepartmental committee for the formulation of United States foreign economic policy.

Part I deals with Government loans and credits and includes the following sections: Occasion for Government loans and credits, consideration in extending loans and credits, and terms and conditions of Government loans and credits.

Part II, which relates to private investment, outlines measures for Government encouragement of new investment, and includes sections with respect to regulations by foreign governments, desirable attributes of private investment, protection of investments, and information for United States Government.

G. C. MARSHALL

[Enclosure]

[WASHINGTON,] August 11, 1948.

STATEMENT OF UNITED STATES FOREIGN CREDIT AND  
INVESTMENT POLICY <sup>3</sup>

(This Statement is intended to serve as a guide to the executive agencies of this Government in the further development of foreign lending programs, to our foreign missions and to executive agencies in their consultations with foreign governments and with private investors, and wherever appropriate to United States representatives on international bodies concerned with international financial matters.)

The foreign credit and investment policy of the Government of the United States is an integral part of its foreign policy. Within the framework of this foreign policy, it is designed to facilitate the expansion of production and trade, to raise standards of living, and to foster economic and social progress and development, thereby promoting security, fundamental freedoms and peaceful conditions through the world. This country's desire to see a world trading system established on a multi-lateral and nondiscriminatory basis cannot easily be achieved without the flow of capital in adequate amounts to foreign countries for economically desirable purposes. United States foreign investment policy is supported by measures to minimize barriers to international trade and to eliminate discriminatory restrictions thereon.<sup>4</sup> Such barriers and restrictions discourage investments, limit

<sup>3</sup> Prepared by the Executive Committee on Economic Foreign Policy as ECEFP D-58/48 Rev. 1. Transmitted as a circular instruction to all Embassies, Legations and Consulates on October 29, 1948 (as Foreign Service Serial No. 920, file No. 800.51/10-2948).

<sup>4</sup> An expression of this policy may be seen in the United States effort to encourage the creation of an International Trade Organization. For documentation see pp. 802 ff.

the capacity to service investments, and interfere with the benefits from investments.

It is the policy of this Government to maintain high and stable levels of domestic economic activity through a comprehensive program that takes into account both domestic and international considerations. Thus, the Government regards it as desirable to include foreign investment as one among several elements of economic activity that should be timed with a view to mitigating economic fluctuations, but only in so far as such timing is consistent with other major domestic and international objectives.

In addition to its foreign loans and credits, the Government may make grants under special programs where it seems desirable to assist foreign countries without requiring repayment. This Statement, however, does not deal with the subject of grants.<sup>5</sup>

#### PART I. GOVERNMENT LOANS AND CREDITS

##### 1. *Occasion for government loans and credits*

This Government, in furtherance of its foreign policy, and in the absence of an adequate flow of private capital, may help finance the reconstruction or development of the economies of foreign countries. During the post-war period a large share of United States foreign lending is, necessarily, to aid foreign countries in dealing with the difficulties of the reconstruction period.<sup>6</sup> The United States at the same time recognizes a world-wide need for accelerated economic development, including the expansion of the production of agricultural and other primary products, and will continue to assist such development.

##### 2. *Consideration in extending loans and credits*

This Government is concerned to see that adequate economic justification exists for the particular purposes to be served by its loans and credits and that the undertakings involved are adapted to local conditions and can survive without permanent protection or subsidy and without the exploitation of labor.

The United States Government regards it as desirable that foreign investment be provided as far as possible by private capital or, where private funds are not available on reasonable terms, by the Interna-

<sup>5</sup> For information regarding the magnitude of this effort, see the "United States Foreign Assistance Program as of December 31, 1948," pp. 959 ff.

<sup>6</sup> Notable examples included the Anglo-American Financial Agreement ratified by Congress in 1946; the "3 C" Agreements which wound up certain aspects of the Lend Lease programs with low interest rate loans; the 1948 China Aid Act; the various loans to European nations negotiated by the Export-Import Bank in the immediate post war years; and finally the loan component of the Marshall Plan. Documentation related to these subjects is printed in *Foreign Relations*, 1946, volume I, and in the appropriate regional volumes for the years 1945-1948.

tional Bank for Reconstruction and Development. During the next few years it is likely that a substantial part of United States lending and investment abroad will take the form of government credits notably through the agency of the Export-Import Bank.<sup>7</sup> It is the policy of the United States not to compete with private lending or investing when private funds are available on reasonable terms. The United States seeks maximum private participation in its new and outstanding foreign loans. It may also issue guaranties in connection with private foreign credits and investments.

The United States regards the International Monetary Fund as the appropriate agency to provide short-term financial aid where needed to assist in maintaining exchange stability. In special cases, the United States may, in harmony with the International Monetary Fund, supplement the Fund through the United States Stabilization Fund.<sup>8</sup>

While it is not the policy of this Government to refuse credits to countries simply on the ground that they are conducting state enterprises or are pursuing nationalization programs, or on the ground that the enterprises to be assisted are in greater or lesser degree controlled by the foreign government, the treatment accorded United States property owners by countries engaged in nationalization programs is of concern to the United States and is taken into consideration when those countries seek loans from the United States.

The external debt record of the borrower is also taken into consideration as an important factor in the determination of whether a loan shall be extended. Appropriate allowance is made in cases where a borrowing country has defaulted due to difficulties outside its control and has taken such steps as it can toward a reasonable settlement of the default.

The loans of the United States Government are not ordinarily available to finance the acquisition either by government or private enterprise of existing properties in foreign countries. In many instances new enterprises will to some extent increase the competition confronting existing firms, including United States firms, whether the enterprises are financed by private or governmental agencies. Careful consideration is given to these competitive aspects. Where projects are economically justified, however, it is not the policy of this Government to refuse credits on the ground that competition confronting established enterprises will be increased thereby.

It is also the general policy of the Government that its credits should not strengthen or extend business arrangements or practices (whether

<sup>7</sup> The semi-annual reports of the Export-Import Bank contain much information about the Bank's activities.

<sup>8</sup> Created by the Gold Reserve Act of 1934, 48 Stat. 341, the Stabilization Fund was designed to help stabilize the exchange value of the dollar in international exchange.

engaged in by public or private commercial enterprises) affecting international trade which restrain competition, limit access to markets, or foster monopolistic controls.

### 3. *Terms and conditions of government loans and credits*

The United States Government recognizes the need for credit terms which borrowing countries can reasonably be expected to meet without undue burden on their balance of payments.

Although the United States for national policy reasons may on occasion undertake special financial risks, its foreign loans and credits, as distinct from grants or other special arrangements authorized by the Congress, are made with the expectation and on the understanding of full repayment according to their terms. In special cases, these terms may provide for repayment in materials desired by the United States Government.

In those cases where the purposes of government lending can best be served by providing funds for purchases in countries other than the United States, arrangements are made to permit the proceeds of loans to be so spent.

## PART II. PRIVATE INVESTMENT

### 4. *Government encouragement of new investment*

Recognizing the desirability both to the United States and to foreign countries of a substantial volume of private foreign investment, the United States endeavors to facilitate and encourage American private foreign investment by such measures as:

(a) the provision of information and such other assistance as can be rendered by United States Government agencies including United States missions in foreign countries;

(b) the negotiation or renegotiation of treaties of friendship, commerce and navigation; treaties concerning double taxation; and agreements looking toward the assurance of fair, equitable and nondiscriminatory treatment of foreign capital;

(c) the offer for sale to private investors of foreign obligations owned, or being acquired by the Export-Import Bank;

(d) the guaranty by the Export-Import Bank of certain private credits to foreign borrowers and the guaranty of exchange convertibility in certain cases;

(e) the promotion of the establishment of international economic and financial conditions conducive to private investment, such as the adoption of measures to eliminate exchange and other restrictions that hamper the growth of trade and investment; and

(f) the elimination of inequitable tax burdens on income derived from investments abroad.

### *5. Regulation by foreign governments*

The United States regards barriers or onerous restrictions imposed by governments on the investment and withdrawal of foreign capital as likely to deter investment and economic development generally. The United States believes that all governments should facilitate the investment of foreign capital for purposes economically suited to the area, should accord foreign capital fair and nondiscriminatory treatment, and should impose no unreasonable barriers to the transfer of capital and earnings.

In this connection the United States Government supports international action to facilitate the flow of private investment and favors the establishment of standards of fair practice with respect to the treatment and conduct of private international investment. Also, as a means of facilitating international investment, the United States favors the establishment of uniform principles of accounting and of standards of fair disclosure to investors.

### *6. Desirable attributes of private investment*

Private investment is considered most likely to promote good international relations if the investment is made in a manner consistent with the best interests of both the supplying and recipient countries; is for an economically desirable purpose; provides adequate opportunity for the voluntary participation of capital and management of the country where the investment takes place; is adequately complemented by the providing of skills and technology where appropriate; is on an equity basis where appropriate; and when on a loan basis provides for reasonable rates of interest and amortization.

### *7. Protection of investments*

When United States investors become engaged in disagreement with a foreign government or national over investment matters and are unable to secure adequate consideration from foreign authorities, or are subject to arbitrary or unreasonable action, the United States Government will, as the circumstances warrant, use its good offices or take other appropriate diplomatic action on behalf of the American investors. In this connection, when foreign governments take possession of the properties of United States nationals and when the owners are unable to obtain adequate and effective compensation without undue delay, the United States assists the United States owners. While negotiations to adjust defaults on financial obligations are considered the responsibility of the debtors and creditors concerned, this Government assists whenever it can appropriately promote a settlement.

This Government discourages private investments which are accompanied by terms and conditions or are for purposes likely to become the subject of reasonable public resentment in either country or are otherwise detrimental to good relations between the United States and a foreign country. Among types of investment likely to be subject to reasonable public resentment or to be otherwise detrimental to good relations are investments accompanied by arrangements whereby the investor receives from a foreign government some special privilege such as tax or customs favors (except perhaps for an initial short period of time), exclusive concessions (unless such exclusive concessions are essential to the nature of the undertaking and are in the public interest), investments directly strengthening and extending international private monopolies and cartels, and investments involving exploitation of labor.

#### *8. Information for United States Government*

The United States Government desires that American investors contemplating new foreign investments or the expansion of existing investments keep this Government informed of their plans through the Department of State when substantial sums are involved. Foreign securities publicly offered for sale in the United States must be registered with the Securities and Exchange Commission. The Commission also requires information as to foreign loans and direct investments of registered corporations and investment companies.



## THE UNITED STATES FOREIGN ASSISTANCE PROGRAM AS OF DECEMBER 31, 1948<sup>1</sup>

### *Editorial Note*

The summary table which follows contains the following headings: loans, property credits, and grants made to foreign countries between July 1, 1945 and December 31, 1948. The data presented here, while not identical to that presented in *Foreign Relations*, 1947, volume I, page 1027, is similar and comparable. Thus a figure for the value of the United States foreign assistance program 1948 may be arrived at by subtraction. This table is adapted from the National Advisory Council on International Monetary and Financial Problems, *Semiannual Report to the President and to the Congress: October 1, 1948-March 31, 1949* (Washington, Government Printing Office, 1949), which contains supporting tables providing a more detailed breakdown of the summary figures incorporated here. *The Economic Report of the President Transmitted to the Congress: 1949* (Washington, Government Printing Office, 1949), page 133 provides a summary table listing foreign aid by types of aid granted.

The various components included in the table below may be defined as follows: *Loans*—Many represent “cash loans” anticipating repayment, in cash, of principal plus interest. Economic Cooperation Administration loans, extended to the European Recovery Program participants on a credit basis, originated in commitments made by the Administrator, but most of the loans were made by the Export-Import Bank as agent for the Economic Cooperation Administration. Commitments or authorizations approved by the Board of Directors of the Export-Import Bank which had not been formalized by credit agreements, are also included in this loan category, as are the loans of agent banks fully guaranteed by the Export-Import Bank.

*Property credits*—These represent aid to foreign governments in the form of credits extended in (a) the disposal of surplus property including merchant ships (b) settlement for “lend-lease” articles and services, and (c) commodity credit used to finance raw material shipments to occupied areas for manufacture and export. All of the above extensions of credit anticipated repayment of principal and in most cases of interest. Property credit figures represent estimates subject to renegotiation.

*Grants*—These represent aid to foreign governments for which no

<sup>1</sup> Continued from *Foreign Relations*, 1947, vol. I, pp. 1026-1042.

repayment was expected. In addition to the funds furnished by the Economic Cooperation Administration to the European Recovery Program, and to the Chinese assistance program, this category also includes relief, civilian supplies, "lend-lease", and others. Relief included supplies, services, and funds furnished directly by the United States Government, or indirectly through international or national agencies. Relief also included funds and goods given through UNRRA, post-UNRRA Relief, Interim Aid, the Intergovernmental Committee on Refugees, the International Childrens Emergency Fund, the International Refugee Organization, and the governmental component of American Red Cross aid.

Civilian supplies included the value of incentive materials provided Germany and Japan; civilian supplies furnished by the United States Army to occupied areas (including Italy) to alleviate disease and unrest; and the issue of supplies by the United States Navy in the Pacific Islands.

"Lend-lease" included only such aid as was furnished on a grant basis. Among the programs included in the other grants category were aid in cultural and economic programs for the American Republics; and financial aid provided to China, Greece, Turkey, and to the Philippines. In general, grants were made to rehabilitate national economies to the level of self-sufficiency for minimum needs, whereas relief funds were expended to sustain life and to prevent economic and physical retrogression.

SUMMARY OF U.S. GOVERNMENT FOREIGN CREDITS AND GRANTS: UTILIZED, JULY 1, 1945, TO DECEMBER 31, 1948; AND UNUTILIZED AS OF DECEMBER 31, 1948, BY AREA AND COUNTRY

(In millions of dollars)

Area and Country	Grand Total	Credits Plus Grants		Utilized Plus Unutilized		
		Utilized	Unutilized	Loans	Property Credits	Grants
Total, All Areas.....	26, 522	20, 139	6, 383	8, 628	3, 387	14, 507
Total, Europe.....	19, 453	15, 407	4, 046	6, 796	2, 605	10, 052
Total, ERP Participants..	17, 859	13, 845	4, 014	6, 633	2, 282	8, 944
Austria.....	591	441	151	14	22	555
Belgium and Luxembourg.....	442	299	143	182	49	211
Denmark.....	133	56	77	45	10	78
France.....	3, 481	2, 785	695	1, 370	827	1, 284
Germany (western).....	2, 487	1, 781	707	24	221	2, 243
Greece.....	1, 100	841	258	15	121	964
Iceland.....	6	2	4	2	(*)	4
Ireland.....	77	(*)	77	60	---	17
Italy.....	1, 901	1, 423	477	181	243	1, 476
Netherlands.....	806	446	359	300	103	403
Norway.....	181	102	79	85	47	49

\*Less than \$500,000. [Footnote in the source text.]

Sweden.....	35	4	31	12	-----	23
Switzerland.....	2	2	-----	-----	-----	2
Trieste.....	28	21	7	-----	-----	28
Turkey.....	237	99	138	66	16	155
United Kingdom.....	5,956	5,378	578	4,095	622	1,238
Unallocated ERP.....	397	164	233	182	-----	215
<b>Total, Other Europe.....</b>	<b>1,594</b>	<b>1,562</b>	<b>32</b>	<b>163</b>	<b>323</b>	<b>1,108</b>
Albania.....	20	20	-----	-----	-----	20
Czechoslovakia.....	213	213	-----	22	8	183
Finland.....	140	111	28	101	36	2
Hungary.....	18	18	-----	-----	16	2
Poland.....	443	442	1	40	38	365
U.S.S.R.....	460	458	2	-----	224	236
Yugoslavia.....	300	300	-----	-----	1	299
<b>Total, Latin America.....</b>	<b>515</b>	<b>317</b>	<b>199</b>	<b>438</b>	<b>44</b>	<b>33</b>
Bolivia.....	21	18	3	19	-----	2
Brazil.....	118	82	36	97	16	5
Chile.....	86	39	47	82	-----	4
Colombia.....	39	19	20	37	1	1
Cuba.....	11	11	-----	10	(*)	(*)
Ecuador.....	16	7	9	14	(*)	2
Haiti.....	7	2	4	4	(*)	2
Mexico.....	138	89	49	132	-----	6
Peru.....	8	8	1	(*)	5	2
Uruguay.....	10	10	1	7	2	1
Venezuela.....	6	3	3	5	-----	1
Other Latin America.....	10	8	3	4	(*)	6
Unallocated Latin America.....	45	21	23	24	19	2
<b>Total, Asia.....</b>	<b>4,498</b>	<b>3,629</b>	<b>869</b>	<b>205</b>	<b>547</b>	<b>3,746</b>
China.....	1,892	1,643	249	99	146	1,648
India.....	15	15	-----	-----	15	-----
Indonesia.....	67	67	-----	-----	63	4
Iran.....	39	21	18	-----	39	-----
Japan.....	1,573	1,242	331	26	208	1,338
Korea (southern).....	299	214	86	-----	25	274
Pakistan.....	10	(*)	10	-----	10	-----
Philippines.....	533	365	169	70	18	445
Ryukyu Islands.....	35	35	-----	-----	-----	35
Saudi Arabia.....	14	14	-----	10	2	2
Siam.....	10	6	4	-----	10	-----
Other Asia.....	11	7	3	-----	11	(*)
Canada.....	145	140	5	145	-----	-----
<b>Total, Africa.....</b>	<b>39</b>	<b>28</b>	<b>11</b>	<b>10</b>	<b>28</b>	<b>1</b>
Egypt.....	18	13	5	7	11	(*)
Liberia.....	16	12	4	-----	16	-----
Other Africa.....	5	3	2	3	2	(*)
<b>Total, Oceania.....</b>	<b>17</b>	<b>17</b>	<b>-----</b>	<b>-----</b>	<b>13</b>	<b>5</b>
Australia.....	8	8	-----	-----	8	(*)
Other Oceania.....	9	9	-----	-----	4	4
<b>Unallocated, International Organizations.....</b>	<b>650</b>	<b>520</b>	<b>131</b>	<b>65</b>	<b>-----</b>	<b>585</b>
<b>Unallocated, All Areas.....</b>	<b>1,204</b>	<b>82</b>	<b>1,123</b>	<b>970</b>	<b>150</b>	<b>85</b>

\*Less than \$500,000. [Footnote in the source text.]

## UNITED STATES POLICY WITH REGARD TO THE ANTARCTIC<sup>1</sup>

800.014 Antarctic/1-848

*The Secretary of the Interior (Krug) to the Acting Secretary of State*

SECRET

WASHINGTON, January 8, 1948.

MY DEAR MR. SECRETARY: This will acknowledge your secret communication of December 11 (Reference NOE) requesting the comment of the Department of the Interior on a recommendation embodied in an enclosed memorandum as well as on the problems related to the formulation of a new United States policy with respect to Antarctica.<sup>2</sup>

This Department favors the proposal for the establishment of a common control over Antarctica by the countries which in the past have been most actively interested in Antarctica, such common control to take the form of a special trusteeship arrangement. This position of course assumes that under the terms of the special trusteeship arrangement adequate provision will be made for the conservation of mineral and biological resources and that the United States will be assured of its fair and proportionate share of both the known and the potential resources of Antarctica and its neighboring waters.

On the matter of a general United States policy with respect to Antarctica, this Department is primarily concerned with the natural resources. In this respect it is felt that the United States should assert its claims as effectively as possible. Detailed comments on matters having to do with minerals and mapping in the Antarctic will be submitted to you at a later date.

Sincerely yours,

J. A. KRUG

<sup>1</sup> For previous documentation see *Foreign Relations*, 1947, vol. I, pp. 1043 ff.

<sup>2</sup> Under cover of identical letters to the Secretaries of the Army, Navy, and Interior (dated December 11, 1947) and to the Secretaries of the Air Force and Commerce (dated December 16, 1947), the Secretary of State transmitted copies of a memorandum on proposed United States Antarctic policy. For text, see *ibid.*, pp. 1055-1056.

800.014 Antarctic/2-1848

*Memorandum of Conversation, by the Secretary of State*

SECRET

[WASHINGTON,] February 18, 1948.

Participants: The Secretary;  
The British Ambassador;  
Mr. Hickerson, EUR<sup>1</sup>

The British Ambassador, Lord Inverchapel, came in to see me at 2:30 this afternoon at his request.

Lord Inverchapel said that he had been instructed by his Government to discuss with me the Antarctic situation. He said that the British Government was concerned at the activities of the Chilean and Argentine Governments in that area. In particular, he said the British Government was concerned over the President of Chile having gone to one of the disputed islands in the last few days and raised the Chilean flag.<sup>2</sup> The Ambassador also mentioned a press report to the effect that an Argentine fleet was to be sent to the disputed area.<sup>3</sup>

In all these circumstances the Ambassador said the British Government had decided to send a British cruiser to the Falkland Islands and the Falkland Islands dependencies.<sup>4</sup> He added that he had been instructed by his Government to discuss the whole matter informally with me and pointed out that the British Government on security grounds attaches a considerable importance to this matter. He showed me a map at this point and said that the British Government feels that on strategic grounds it would not be desirable that countries like Argentina and Chile, in the light of their record in World War 2, control islands which could dominate the open water passage south of Cape Horn.

The Ambassador said that the British Government had proposed to the Argentine and Chilean Governments that the territorial claims

<sup>1</sup> John D. Hickerson, Director, Office of European Affairs.

<sup>2</sup> In mid-February 1948, Chilean President Gabriel Gonzalez Videla visited the South Shetland Islands and the Palmer Peninsula of Antarctica and formally established bases there.

<sup>3</sup> It was subsequently announced that a task force of the Argentine fleet was on maneuvers in Antarctic waters.

<sup>4</sup> On February 16 the British Embassy presented to the Department of State an *aide-memoire* stating that in view of the Argentine and Chilean activities in the Falkland Island Dependencies (a British definition for its Antarctic claims including the South Shetland Islands, the South Orkney Islands, and the Palmer Peninsula), the British Government was sending the cruiser *Nigeria* to join the sloop *Snipe* currently stationed in the area (800.014 Antarctic/2-1648). On February 16, British Minister of State Hector McNeil made a statement in the House of Commons regarding the recent actions by the Argentine and Chilean Governments in the disputed Antarctic areas and the determination of the United Kingdom to resist alleged "acts of trespass" against the Falkland Island Dependencies. For the text of McNeil's statement, see Margaret Carlyle (ed.), *Documents on International Affairs 1947-1948*, issued under the auspices of the Royal Institute of International Affairs (London, New York, Toronto: Oxford University Press, 1952), p. 814.

of the three countries in the Antarctic be referred to the Permanent Court of Justice for adjudication but that those Governments had refused this proposal.

Lord Inverchapel said that he had been instructed by his Government to ask me the following questions:

1. Has the United States Government asserted claims to territory in the Antarctic and if not, does it intend to do so? I asked Mr. Hickerson if he could answer this question and he replied that the United States has not itself asserted claims to territory in the Antarctic nor has it recognized the claims of any other countries in that area. Mr. Hickerson added that the United States Government would like to see some satisfactory international solution of this matter but failing this, the United States Government will probably feel compelled to assert territorial claims in the Antarctic.

2. The British Government very much hopes that Antarctic claims will not be discussed at the forthcoming Bogotá Conference<sup>5</sup> and the Ambassador inquired about the attitude of the United States Government in this respect. I replied that the United States Government will oppose a discussion of Antarctic questions at the Bogotá Conference.<sup>6</sup> I recalled to the Ambassador that at the Rio Conference last year<sup>7</sup> when the Conference established certain territorial limits for the application of the Treaty of Rio de Janeiro, the United States announced publicly its view that this was wholly without reference to territorial claims in the Antarctic.

3. The Ambassador inquired what the United States attitude would be to a Conference to consider Antarctic claims. I replied that our feeling at the present is that the matter could be handled more satisfactorily by intergovernmental negotiations between the interested governments and that a Conference, if called, should be a culmination of such negotiations, its function being to formalize an agreement already reached.

4. The Ambassador inquired whether in view of the strategic importance of this area the United States would be agreeable to an exchange of views with the United Kingdom Government. I stated that

<sup>5</sup> The Ninth International Conference of American States, held at Bogotá, Colombia, from March 30 to May 2, 1948. For documentation, see vol. ix, pp. 1 ff.

<sup>6</sup> In a letter of February 24, to the Secretary of State, the British Ambassador observed that there were indications that several Latin American countries were prepared to support a resolution at the forthcoming Bogotá Conference declaring all colonial possessions in the Western Hemisphere to be a danger to the peace and security of the Hemisphere. Lord Inverchapel expressed the hope that the United States Government would be able to persuade the deletion of such a resolution from the agenda of the Conference or would otherwise find some way to neutralize efforts to encourage Argentine pretensions to British territory (800.014 Antarctic/2-2448). In his reply dated March 4, not printed, the Secretary of State repeated the intention of the United States Delegation to the Bogotá Conference to oppose the discussion of Antarctic questions. The United States Government would, furthermore, not favor any action by the Conference which was intended to strengthen the claims of any one party in a territorial dispute and would make that position clear at the Conference (800.014 Antarctic/2-2448).

<sup>7</sup> The Inter-American Conference for the Maintenance of Continental Peace and Security, held at Petropolis (near Rio de Janeiro), Brazil, from August 15 to September 2, 1947. For documentation, see *Foreign Relations*, 1947, vol. iii, pp. 1 ff.

our officers had been studying the Antarctic problem for some time and that we hoped in the near future to be in a position to discuss it in greater detail with the British Government. We have noted the British objection to a trusteeship arrangement directly under the United Nations and we are thinking also of possible alternatives. We recognized the importance of exchanging views with the British on the basic approach to this problem but we will have to be very circumspect and avoid possible criticism from other Governments in view of the claims of Argentina, Chile, Australia and New Zealand in this area. In these circumstances I said that I thought that the Ambassador would probably agree that it might well be desirable to open discussions with the other countries concerned at the time detailed discussions are taken up with the British.

5. The Ambassador inquired whether I did not think it might be a good idea for one or two of the officers of his Embassy to talk these matters over quietly with officers of the Department of State. I told him that I would consider this matter and let him know later but that it would probably be arrangeable.

I told Lord Inverchapel that speaking off the record, I had been somewhat puzzled at the action of the British Government in sending a cruiser to the area and that I had been wondering just what the cruiser would do when it got there. In view of spectacular action of Chilean President and dramatic departure of so-called Argentine fleet, I wondered if the British cruiser decision did not put them in an undignified position. I stressed the fact that in saying this I was speaking entirely as an individual and not as Secretary of State.

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800.014 Antarctic/3-448 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

CONFIDENTIAL

WASHINGTON, March 4, 1948--noon.

747. Antarctic question was discussed with Brit Emh their request yesterday. We said our thinking is along lines of some form international control such as trusteeship under UN or condominium. We would appreciate sympathetic study of problem by Brit along this line and would welcome any Brit proposals. We plan approach other interested Govts along similar line this month believing this offers best means of forestalling embarrassing discussion Antarctica at Bogotá.

Brit reaction showed no departure from previous position of establishing national sovereignties in Antarctica by court decision and no disposition to survey possibility our proposals. Suggest this be discussed with FonOff stressing our belief that international control offers best solution though we are well aware problems which would

have to be worked out. You may add that we share Brit anxiety to prevent awkward discussions at Bogotá.<sup>1</sup>

MARSHALL

<sup>1</sup> In telegram 937, March 9, from London, not printed, Chargé Waldemar Gallman reported that he had discussed the Antarctica question with the British Foreign Office which was apparently willing to consider some sort of international control. British Foreign Secretary Ernest Bevin had finished the formulation of views on Antarctica within the Foreign Office. Once these views had been cleared with other parts of the British Government and with the governments of the Dominions, they would be transmitted to Washington (800.014 Antarctica/3-948).

710.J/3-1048: Telegram

*The Ambassador in Argentina (Bruce) to the Secretary of State*

SECRET

BUENOS AIRES, March 10, 1948—7 p. m.

256. Depcirtel March 5, 4 a.m.<sup>1</sup> Foreign Minister Bramuglia told us yesterday Argentina would have to bring up at Bogotá question European colonies in America with specific reference to Falkland Islands. We explained Department's position and Bramuglia said it was what he expected. Bramuglia said Argentine claim Falkland Islands perfectly valid; British have no reason other than pride for wanting islands; costing British money and British unable defend them. Bramuglia said he and Perón<sup>2</sup> convinced war with Russia probably near future inevitable and Argentine possession Falkland Islands indispensable since Argentina would join with the United States on first day of war and Falklands would be only base on which Russia could direct operations against Argentina, one of food supplying centers world. He said Argentina considers Falkland question entirely separate Antarctic region; Argentina is prepared argue Antarctic question but matter real importance is Falkland Islands. He assumed relations England-Argentina would not reach state violence but emphasized Argentine determination. Bramuglia dwelt considerable length on his hope United States would give Argentina some support. Remarked England is in such sad state today, run by Social-

<sup>1</sup> The telegram defined the views of the United States Government regarding an item on the agenda of the forthcoming Bogotá Conference entitled "European Colonies in America". It was the intention of the United States to adhere to its long-standing policy of not supporting any action by an Inter-American Conference which, by appearing to advance the claims on any one party in a territorial dispute, would prejudice the opportunity for its equitable and peaceful solution in accordance with international law. For an account of the discussion at the Bogotá Conference of the subject of European colonies in America and the position taken by the United States in that discussion, see Department of State, *Ninth International Conference of American States, Bogotá, Colombia, March 30-May 2, 1948: Report of the Delegation of the United States With Related Documents* (Washington: 1948), pp. 84-86.

<sup>2</sup> Juan Domingo Perón, President of Argentina.



ist Government, contrary to all our principles, dependent for existence on generosity United States Government, and word from United States would determine final British position.

It seems to us that Argentine arguments make considerable sense and we urge Department give them every possible consideration.

BRUCE.

800.014 Antarctic/3-848

*The Secretary of State to the British Ambassador (Inverchapel)*

SECRET

[WASHINGTON,] March 17, 1948.

MY DEAR MR. AMBASSADOR: I have your letter of March 8, 1948,<sup>1</sup> concerning the problems connected with the situation in Antarctica. I have noted the points raised in your letter.

There are two aspects of the situation which in our opinion ought to take precedence at present. First, while we recognize that the United Kingdom and the United States share important interests in Antarctica, we feel that we should approach the other interested countries in the very near future in order to give due weight to their interests in the discussion and working out of a jointly satisfactory solution. Second, we feel that it will be advantageous to the United Kingdom, the United States, and the countries of the Western Hemisphere to have initiated discussions looking toward a settlement prior to the opening of the Bogota Conference at the end of this month.

I feel sure that you will agree as to the importance of both of these aspects of the problem, and I hope that your Government will find it possible to agree to survey with us the possibilities of working out a jointly satisfactory agreement for some form of international administration. In suggesting this, I do not overlook the existence of real problems which would have to be worked out.

Although I am unable now to comply with your request for a rough outline of our proposals in writing, we would welcome an opportunity for an officer or officers of your Embassy to meet again at their early convenience with the appropriate officers of the Department of State to obtain further background on our thinking.

Sincerely yours,

G. C. MARSHALL

<sup>1</sup> Not printed.

710.J/3-1048: Telegram

*The Secretary of State to the Embassy in Argentina*

SECRET US URGENT

WASHINGTON, March 17, 1948—8 p. m.

231. In any talks with Bramuglia or any other Arg Govt official sharing his views re US-Brit relations (urtel 256 Mar 10<sup>1</sup>) you may comment along following lines:

1. US does not support claims of either Brit or Arg re Falklands and does not intend to do so. It is opinion this Govt dispute should be settled by peaceful means under recognized procedures international law and that it would be disservice to final settlement for any country apart from nations involved prejudice case.

2. This Govt believes Brit to be one of strongest forces in world today behalf basic political ideals for which US stands and Dept does not intend take any action which would aid hostile groups to weaken US-Brit collaboration against totalitarian and anti-democratic elements.

3. In re Bramuglia's statement regarding Brit socialist Govt you may inform him that while US favors for itself neither socialist Govt nor Govt subject to rigid control of economic life, US does recognize right of any nation to choose these forms Govt. You may point out to FonMin or any other Arg official that the cooperation economic and political which Brit is giving to US in support of democratic institutions throughout world is regarded by us as of vital importance to US in our efforts to further European recovery as a means of combatting totalitarianism and promoting democratic way of life.

It is suggested you speak with FonMin along these lines before his departure Bogotá. For emb info only re final paragraph reftel emh should not permit any hope to linger in minds Arg officials that US would support their position against Brit.

MARSHALL

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<sup>1</sup> Ante, p. 966.

800.014 Antarctic/3-2548: Telegram

*The Secretary of State to the Embassy in the United Kingdom*<sup>1</sup>.

SECRET

WASHINGTON, March 25, 1948—7 p. m.

1059. As result talks with Brit Emb this week,<sup>2</sup> we decided, pending further consideration of subject, to postpone inquiry to other interested Govts as to their willingness to enter diplomatic discussion on possibility of Antarctic solution. Brit Emb on its side agreed Brit would not now issue invitation to UK US Chile Argentine round table on area of Brit Antarctic claims.<sup>3</sup> We feel we could not assume responsibility in such round table to participate in discussing division of sovereignties. If it dealt with Antarctic Continent as distinct from islands north of Palmer Peninsula all eight interested countries should be included and whole area considered. We would not be averse to Brit Arg Chilean settlement of overlapping claims in islands on mutually satisfactory basis which would safeguard essential points of Brit interest. We informed Brit we do not object their proposal tell Arg Chile informally Brit will confer with them on Antarctic Islands after Bogotá if they do not press matter at Bogotá.<sup>4</sup>

MARSHALL

<sup>1</sup>The text of this telegram was subsequently transmitted to the Embassy in Santiago in telegram 100, March 26, and to the Embassy in Buenos Aires in airgram A-160, March 29, neither printed (800.014 Antarctic/3-2648 and 800.014 Antarctic/3-2948).

<sup>2</sup>Participating in the talks were Llewellyn E. Thompson, Deputy Director, Office of European Affairs, Robert F. Woodward, Deputy Director, Office of American Republic Affairs, Benjamin M. Hulley, Acting Chief, Division of Northern European Affairs, Caspar D. Green of the Division of Northern European Affairs, and Robert H. Hadow, Counselor of the British Embassy.

<sup>3</sup>The suggestion for a four-power round-table discussion of the conflicting claims to sovereignty in the Falkland Island Dependencies was made in an *aide-mémoire* of March 17 from the British Embassy to the Department of State, not printed. The suggestion was renewed in a letter of March 24 from Ambassador Inverchapel to Lewis W. Douglas, Ambassador to the United Kingdom, then in Washington for consultation, not printed.

<sup>4</sup>The proposal under reference was made by Hadow. A week later Hadow informed officers of the Department of State that he had not yet received any indication that the Foreign Office was prepared to make proposals to the Argentine and Chilean Governments.

800.014 Antarctic/3-2648

*Memorandum of Conversation, by the Deputy Director, Office of  
American Republic Affairs (Woodward)*

SECRET

[WASHINGTON,] March 26, 1948.

Participants: Senor Felix Nieto del Rio, Chilean Ambassador.

G—Mr. Norman Armour<sup>1</sup>

ARA—Mr. Robert F. Woodward

As background, the Chilean Ambassador had requested an appointment with the Secretary of State on March 9 to discuss the Chilean position concerning Antarctica. The appointment was made but the Chilean Ambassador was not able to keep the engagement because he was ill for about ten days. When he again sought an appointment, a few days before the Bogotá Conference, the Secretary of State asked Mr. Armour to go to the Chilean Embassy to see the Chilean Ambassador to satisfy the need for a discussion on the subject and to show courtesy to the Chilean Ambassador since it was impossible for the Secretary of State to see him because of the pressure of business. (After Mr. Armour's interview, a telegram<sup>2</sup> explaining the circumstances was despatched to the Embassy at Santiago in order that the Chilean Government might know that the Department of State has full respect for the Chilean Ambassador.)

The Chilean Ambassador said that his Government felt the "armed threat" carried out by the British in sending the Cruiser *Nigeria* to the Antarctic islands was sufficient basis for appealing for inter-American collaboration under the Rio Treaty. He said that the Chilean Government had come to an agreement on March 7, 1948 with the Argentine Government that the two Governments would maintain a "united frontier" ["*united front*"?] on matters pertaining to the disputed claims in the Antarctic area,<sup>3</sup> and he said that the Chilean Delegation at the Bogotá Conference would request a declaration by the Conference that the Rio Treaty is applicable in instances such as the "armed threat" he had mentioned.

In the course of further conversation with the Chilean Ambassador, it appeared to be the consensus that the question of whether reciprocal assistance could be appropriately requested concerning "armed threats" or "gestures of force" to support the claims of one party in a disputed area was not clearly answered in the Rio Treaty. While it is true that the Delegation of the United States had made a "statement" at the Rio Conference recording its position ". . . the Treaty of Rio

<sup>1</sup> Assistant Secretary of State for Political Affairs.

<sup>2</sup> Telegram 104, March 27, to Santiago, not printed (800.014 Antarctic/3-2748).

<sup>3</sup> The reference here is presumably to the Argentine-Chilean agreement of March 4, 1948; the text of that agreement is printed in Carlyle, *Documents on International Affairs*, p. 815.

de Janeiro has no effect upon the sovereignty, national or international status of any of the territories included in the region defined in Article 4 of the Treaty", there seems to be a gap in the existing Treaty structure so far as concerned the question set forth in the preceding sentence. The Chilean Ambassador appeared to agree tacitly that it would be difficult to interpret the Rio Treaty so that it would apply in such cases.

It was intimated to the Chilean Ambassador that the British Government might be disposed to offer to discuss with the Chilean and Argentine Governments the whole question of disputed claims in the Antarctic islands, and it was pointed out that if such a discussion were to appear imminent there would be no reason for bringing up the question of applicability of the Rio Treaty at the Bogotá Conference. The Chilean Ambassador said that he would appreciate receiving information when the Department of State may have anything more concrete to indicate the possibility of the British disposition to enter into such discussions.

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800.014 Antarctic/4-1248

*The Secretary of Defense (Forrestal) to the Secretary of State*

SECRET

WASHINGTON, 12 April 1948.

DEAR MR. SECRETARY: This letter is in reply to your memoranda dated 16 December 1947<sup>1</sup> and 14 January 1948,<sup>2</sup> addressed to the Secretaries of the Army, Navy and Air Force on the subject of a proposed United States Antarctic policy, and to your letter to me of 17 March 1948 relating to the same subject.<sup>3</sup>

The Joint Chiefs of Staff have considered the matter from a military point of view and are of the opinion that the Antarctic is of little apparent strategic value to the United States now. They add, however, that its future strategic value (including natural resources) to the

<sup>1</sup> See footnote 2, p. 962.

<sup>2</sup> Not printed.

<sup>3</sup> Under cover of his letter of March 16 to Secretary Forrestal, not printed, the Secretary of State transmitted a rough working draft of a possible condominium agreement for Antarctica. The concluding paragraph of the Secretary of State's letter read as follows:

"It is desirable that the Department of State be in a position to discuss with the other Governments concerned (Britain, Norway, France, New Zealand, Australia, Argentina, Chile) the establishment of either a condominium or a trusteeship arrangement, whichever may upon full exchange of views prove preferable. It is expected that the problem of Antarctica will be raised in a difficult and possibly embarrassing manner in the Bogotá Conference at the end of March. The handling of the situation in Bogotá would be materially easier if prior to the conference we open discussion of the matter with the other Governments. I should therefore appreciate it if I could receive an indication that the Joint Chiefs of Staff have no objection to our attempting to settle the problem on the basis of either a trusteeship or condominium, whichever may be decided to offer the more practical solution." (800.014 Antarctic/1-2348)

United States or to our most probable enemies cannot be accurately predicted at this time in view of the dearth of information concerning this region and in view of possible long-term scientific developments. The present limited knowledge of the area indicates that the chief value of the Antarctic is in scientific and meteorological fields, both of which have very great military import now and might become critical in the future.

Under these circumstances, and from a military standpoint, two factors appear to be of paramount importance in determining United States policy with respect to the Antarctic.

First, because of the proximity to the Antarctic of Argentina, Chile, Australia, New Zealand and South Africa, all potential allies of the United States in event of war, this region might be of considerable strategic value to our enemy should a major conflict occur. Specifically, enemy control in the area adjacent to South America could have very serious consequences if use of the Panama Canal were denied the United States, leaving the passage around Cape Horn as the shortest sea route between the east and west coasts of the Western Hemisphere. Therefore, it is imperative that sovereignty or active participation in control of the Antarctic, under trusteeship arrangement or otherwise, should be denied groups of nations which include our most probable enemies, and United States policy with respect to the disposition of this problem should be pointed toward this objective. Second, it is important that in the determination of our Antarctic policy, we should make certain that our possible future Arctic interests are in no wise weakened by any precedents established with respect to the Antarctic. Although no land has been discovered nearer to the North Pole than northern Greenland by any polar expedition nor by numerous recent Air Force polar flights, the possibility remains that there may be undiscovered land in the Arctic area. Such land, even if relatively minor in size, could well be of great strategic importance.

For the above reasons, in the interests of national security, United States claims or potential claims in the Antarctic should be relinquished only if and when this course should be justified by future determination that the Antarctic area has no strategic value to the United States.

Your several letters suggest various possible alternatives for disposing of the Antarctic question—(1) the establishment of a special trusteeship; (2) the conclusion of a condominium agreement of the interested states; or (3) the presentation of United States claims, followed by the submission of the entire problem for judicial settlement. Each of these alternatives has been considered from the standpoint of the considerations described in the preceding paragraphs.

In our opinion it would appear impracticable, or in any event difficult, to guarantee against the active participation of our most probable enemies in the control of the Antarctic if trusteeship arrangements should be carried through to completion. For this reason we do not favor this alternative.

The advisability or inadvisability of a condominium appears less clear. The Joint Chiefs of Staff are of the view that while a condominium, as such, would not finally resolve the matter of individual claims to the areas of the Antarctic, its practical effect might be to protect the over-all interests of the United States in that region provided that (a) the condominium agreement would not in any way be regarded as a precedent for any United States Arctic policy that might prejudice our possible future Arctic interests, and (b) no nation included among our most probable enemies would be a party to such a condominium. Our misgivings as to this course arise from our doubts as to whether, for the reason hereinafter stated, this second safeguard can in fact be provided.

It is our understanding that a condominium involves a pooling of otherwise conflicting claims to sovereignty, thus establishing among the claimants a tacit recognition of the validity of each others' claims without recourse to a judicial determination. If this understanding is correct, and if the Soviet Union should assert claims to Peter I Island and Alexander I Land, it might be difficult to maintain that such claims, no matter how invalid we might consider them, were not a justification, equal to that represented by the claims of other nations, for Soviet participation in the condominium. If this contingency could be guarded against, there would be no objection to a condominium agreement along the lines of the draft which you have submitted, provided, however, that the wording of Article VI is retained and the wording in alternate Article VI is deleted.<sup>4</sup> It would not be in the military interest for Antarctica to be maintained as a demilitarized area. If the foregoing contingency cannot be guarded against, then the proposed condominium would appear to have no advantages, from a military standpoint, over the trusteeship solution.

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<sup>4</sup> Article VI of the rough working draft of an Antarctic condominium agreement, transmitted under cover of the Secretary of State's letter of March 16, read as follows:

"The parties hereto may, with the approval of the Commission [the proposed Antarctic Commission composed of representatives of the participating powers], carry out such measures in the area as from time to time may be necessary for the defense of the area and for the maintenance of international peace and security."

Alternate Article VI read as follows:

"The parties hereto agree that no military establishments or fortifications shall be established within the area, and that it shall be maintained as a demilitarized area."

In view of the difficulties which we perceive in the two foregoing alternatives, it is our view that the preferable course at the present time from a military standpoint, would be to press United States claims to areas of Antarctica and to propose submission of the entire problem of Antarctica to judicial determination. This assumes, of course, that the State Department considers it essential to reach some solution to the problem of Antarctica at this time. If this assumption is not correct, we would suggest additional study of this matter by our several agencies and its submission to SANACC for joint consideration.

Sincerely yours,

FORRESTAL

800.014 Antarctic/3-2448

*The Acting Secretary of State to the British Ambassador  
(Inverchapel)*

SECRET

[WASHINGTON,] April 13, 1948.

DEAR ARCHIE: As your letter of March 24, 1948 to Lew Douglas<sup>1</sup> arrived on the eve of his departure, he turned it over to me for reply. I believe that the talk on Antarctica which our people had with officers of your Embassy late in the afternoon of March 24 served to clarify the points raised in your letter. The following may, however, be useful.

As a result of our conversations with officers of your Embassy last week,<sup>2</sup> we have decided to postpone any approach to the other interested countries until we have had opportunity to study the question further. It was agreed, on your side, that no action would be taken for the present to issue invitations to a four-country round table concerning the area of the British Antarctic claim. I may note, in further clarification of our position, that our approach to the other countries did not contemplate a conference, but only exploratory diplomatic conversations.

The Department shares your view that no occasion should be given to the Soviet Union to participate in an Antarctic settlement or administration, and would not propose or accept any arrangement to the contrary. We feel, however, that the eminent, very extensive, and long-continued activities of official and private American parties in Antarctica places the United States in a wholly different status from any which could be successfully claimed by the Soviet Union on the basis of Russian activities of 127 years ago.

We shall hope in the near future to be in touch with your Embassy again on this subject.

Sincerely yours,

ROBERT A. LOVETT

<sup>1</sup> Not printed.

<sup>2</sup> See telegram 1059, March 25, to London, p. 969.



800.014 Antarctic/4-1548 : Telegram

*The Ambassador in Chile (Bowers) to the Secretary of State*

SECRET

SANTIAGO, April 15, 1948—6 p. m.

250. Foreign Minister <sup>1</sup> called me to propose opportuneness of calling either (1) regional conference among Chile, US and Argentina which would exclude Great Britain on Antarctic as proposed by US for interested American republics in our memo to Chile dated January 10, 1940 <sup>2</sup> and Foreign Office note 359, November 10, 1940 <sup>3</sup> when further action interrupted by war or (2) a conference of broader scope involving entire Antarctic Continent. He gave me confidential Foreign Office memo outlining Chilean proposal saying advisable reach at least partial solution before next Antarctic summer. He told me Argentina pressing Chile for conference but he first wished have US viewpoint before committing Chile. Foreign Office memo and covering despatch requesting instructions being forwarded.<sup>4</sup>

Sent Department 250; repeated Bogotá.

BOWERS

<sup>1</sup> German Vergara Donoso.

<sup>2</sup> Presumably the note sent in pursuance of instructions of the Acting Secretary of State, August 8, 1939, *Foreign Relations*, 1939, vol. II, p. 9.

<sup>3</sup> The reference here is probably to the note of November 7, 1940, from the Chilean Ministry of Foreign Affairs to the Embassy in Chile, which is summarized in *ibid.*, 1940, vol. II, p. 336 and footnote 7 thereon.

<sup>4</sup> The Chilean Foreign Ministry note of April 14, was transmitted to the Department as an enclosure to despatch 262, April 16, from Santiago, neither printed (800.014 Antarctic/4-1648).

Policy Planning Staff Files : Lot 64 D 563

*Memorandum by John A. Morrison of the Policy Planning Staff to Carlton Savage, Executive Secretary of the Policy Planning Staff* <sup>1</sup>

SECRET

[WASHINGTON,] April 22, 1948.

Subject: Meeting of April 20 [21?], 1948 on Draft of Policy Paper for Antarctica.

1. It developed at the meeting that at the time the policy paper was drafted EUR had two documents which had not been circulated to

<sup>1</sup> The source text is attached to a short, summary record of the 165th Meeting of the Policy Planning Staff, April 21, 1948. According to that record, there was a discussion of a draft paper on the Antarctic, dated April 16. Present for the meeting were the Director of the Policy Planning Staff, George F. Kennan, Staff members George H. Butler, Henry S. Villard, Bernard A. Guffer, and Joseph P. Davies, Jr., Staff Executive Secretary Carlton Savage, and John A. Morrison. Participating in this meeting from other parts of the Department were: Llewellyn E. Thompson, Deputy Director, Office of European Affairs; Robert F. Woodward, Deputy Director, Office of American Republic Affairs; Samuel W. Boggs, Special Adviser on Geography, Office of Intelligence Research; Caspar D. Green of the Division of Northern European Affairs; James H. Webb, Jr., of the Division of North and West Coast Affairs of the Office of American Republic Affairs.

S/P apparently through oversight. One of these was a draft of an agreement for establishing an International Antarctic Commission outside of UN which had been prepared by Mr. Boggs on March 22<sup>2</sup> and which had been revised as a result of a meeting which S/P had not been notified of. The second was a letter from Mr. Forrestal to the Secretary, dated April 12,<sup>3</sup> in which the position of the JCS regarding Antarctica was stated.

2. Mr. Thompson (EUR) argued that since the British had expressed a desire to negotiate with Argentina and Chile with a view to settling their dispute with these countries regarding the Falkland Island Dependencies, our Government should take no further steps toward a general discussion pending the outcome of these negotiations. S/P pointed out that in view of the rancors developed during the past navigation season between the British on the one hand, and the Chileans and Argentines on the other, rancors which would in all probability be revived and perhaps accentuated in the coming navigation season and which would embarrass this Government, more positive action by the United States is needed. ARA supported this view.

3. Discussion resulted in agreement that this Government propose to London that an international regime, affiliated with the United Nations, but not a UN trusteeship, be established for the Antarctic continent, disposition of the disputed islands (South Shetland, South Orkney and South Sandwich groups, and South Georgia) to be attempted by the British in negotiation with Chile and Argentina. Mr. Morrison (S/P), in consultation with Mr. Boggs and UNA, was instructed to draw up a draft agreement for an international regime for submission to London. Mr. Thompson urged that in view of the difficulties which had attended discussions with Mr. Hadow of the British Embassy here, an officer be sent to London to carry on preliminary negotiations.

4. It was agreed that the JCS be informed of the nature of the proposals which the Department proposes to make to the London Foreign Office and that JCS be requested to advise the Department whether these proposals give proper protection to U.S. security interests.

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<sup>2</sup> Not printed.

<sup>3</sup> *Ante*, p. 971.

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### *Editorial Note*

A draft paper dated May 25, 1948, and entitled "Recommendations Concerning United States Policy Regarding Antarctica and Actions for Its Implementation", together with a draft text of a trusteeship agreement for Antarctica and a draft letter from the Secretary of

State to the Secretary of Defense, were circulated in the Department of State under cover of a memorandum of May 27 by George H. Butler of the Policy Planning Staff. Butler's memorandum explained that the draft paper, agreement and letter had been prepared by a working group composed of representatives of the Office of European Affairs, the Office of American Republic Affairs, the Division of Dependent Area Affairs, the Office of the Legal Adviser, and the Policy Planning Staff. The working group had taken into consideration the views expressed at the Policy Planning Staff meeting of April 21 (see *supra*) and also the views of two American Antarctic explorers, Commander Finn Ronne and Dr. Paul Siple (800.014 Antarctic/5-2748). A memorandum by the Policy Planning Staff, dated June 2, observed that a number of changes had been made in the various draft papers as a result of a meeting on May 30 between the Policy Planning Staff and representatives of various Department offices and divisions (800.014 Antarctic/6-248). A further meeting was held on June 2 at which time additional revisions were recommended (Policy Planning Staff files, Lot 64 D 563). For the final version of the paper and draft agreement, circulated as document PPS 31, June 9, see *infra*.

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Policy Planning Staff Files : Lot 64 D 563

*Paper Prepared by the Policy Planning Staff*<sup>1</sup>

SECRET  
PPS-31

[WASHINGTON,] June 9, 1948.

ANTARCTICA

THE PROBLEM

To formulate a U.S. policy regarding Antarctica and the sub-Antarctic islands which will eliminate international disputes over these areas, promote their scientific exploration and utilization for scientific purposes, and safeguard U.S. national interests.

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<sup>1</sup> The paper printed here was prepared in the light of the considerations and discussions described in the editorial note, *supra*. The source text indicates that Under Secretary of State Robert A. Lovett gave his approval on June 14. On June 15 the Secretary of State transmitted a copy of this paper to Secretary of Defense Forrestal under cover of a brief letter. In his letter Secretary Marshall observed that unless there was an objection to the paper on military grounds, the Department of State proposed to proceed at once with its implementation. Should there be an objection by the Military Establishment, the Secretary of State was prepared to submit the paper to the National Security Council for study and decision (800.014 Antarctic/4-1248).

In response to Secretary Forrestal's letter of July 1 (p. 989), the Secretary of State submitted this paper to the National Security Council on July 9 for the information of the members of the Council (800.014 Antarctic/7-148). The paper was subsequently circulated in the National Security Council as document NSC 21, July 13. (S/S-NSC Files: Lot 64D351: NSC 21 Series)

## DISCUSSION

1. Nationals of several states have made discoveries, conducted explorations, established temporary and semipermanent bases, and made territorial claims for their respective countries in the Antarctic region. U.S. nationals acting privately or on behalf of the U.S. Government have played a leading role in these activities.

2. The United States Government has refrained from asserting any official territorial claim in the antarctic region. However, it has refused to recognize the claims of other countries and has reserved its own rights.

3. Great Britain, Australia, New Zealand, Argentina, Chile, Norway and France all have made official claims of sovereignty over specific islands in the Antarctic region and over segments of the Antarctic Continent. Certain of these claims are in dispute. The Argentine claim overlaps almost entirely the British Falkland Islands Dependencies claim. The Chilean claim conflicts with both British and Argentine claims to the Palmer Peninsula and Shetland Islands. The conflicting claims have produced tension in the relations between Great Britain on the one hand and Argentina and Chile on the other, which have led to the dispatch of armed vessels to the territories in dispute.

4. No nation has laid official claim to the large sector of Antarctica lying between 90° West Longitude and 150° West Longitude. However, the discoveries, explorations and claims of Byrd and Ellsworth in this area would justify a U.S. official claim to all of it, a claim unlikely to be contested by other governments.

5. In addition to the sector between 90° West Longitude and 150° West Longitude, the U.S. Government would have good grounds for claiming other areas discovered, explored and claimed for the United States by U.S. nationals but which are claimed by the governments of other powers in spite of the fact that in some cases these areas have not been seen by the nationals of the claiming power.

6. Control of territory in the Antarctic region is not considered essential to the security of the United States.

a. In the unlikely event that uranium ores in significant quantities are discovered, our interest would be served by insuring that they are not exploited by a potential enemy rather than in exploiting them ourselves, since our requirements can more easily be met from other more accessible sources.

b. The only area which, under certain conditions, could be of strategic concern to the United States is the Drake Passage between Tierra del Fuego on the north and the South Shetland group of islands on the south. In the event of the closing of the Panama Canal, this passage would become an important sea route and hostile naval or air units based on either side of it could interfere with the passage of U.S. naval or commercial shipping. . . .

7. Since the Antarctic Continent is almost entirely covered by a thick ice sheet and since the sub-Antarctic islands have no significant resources, the economic value of the Antarctic region lies chiefly in its marine life, primarily whales. Whaling operations are now for the most part based on factory ships and hence do not require land bases in the Antarctic. The land areas of the Antarctic region are therefore not at present of economic interest to the U.S. nor are they likely to be in the future.

8. Antarctic waters provide the United States Navy with opportunity for gaining experience in ice operations and for testing equipment under severe conditions without attracting the kind of attention which would be likely to attend similar operations in the Arctic. However, no land bases in Antarctica are needed for such operations.

9. The interest of U.S. private and Government-sponsored expeditions has been primarily scientific—to extend knowledge of the Antarctic and its phenomena.

10. The dispute between Great Britain on the one side and Argentina and Chile on the other over conflicting claims in the Antarctic, while almost entirely a matter of prestige, is a source of embarrassment to the United States because of our close relation to Great Britain and our commitments in the Western Hemisphere. This embarrassment is susceptible of exploitation by the USSR to the further disadvantage of the United States. Our national interest therefore requires that a settlement of this dispute be reached which will be acceptable to the three countries involved.

11. An international administration for the Antarctic Continent and sub-Antarctic islands would best promote the further scientific exploration and investigation of Antarctic phenomena. Such an administration would also facilitate the correlation of meteorological observations which are of practical significance in making long range weather forecasts for Australia, New Zealand, South Africa, and southern South America. Extended observations may also confirm the belief that meteorological conditions in the Antarctic region affect weather even further to the north.

12. An international administration would also provide a solution to the dispute between Great Britain, Argentina and Chile. A surrender of sovereignty claims by all three disputants which did not give an advantage to any one of them would cause no loss of prestige.

13. Although U.S. economic interests in the Antarctic region are negligible, the possible strategic significance of the Drake Passage, the large expenditure of U.S. private and public funds in Antarctic exploration, and American popular interest in the region require that the U.S. have a voice in any international administration that may be established.

14. So long as the U.S. has made no official claims to Antarctic territory, it would have to base a claim for participation in an international administration exclusively on the discoveries and explorations of its nationals. While no other country has contributed as much to the discovery and exploration of Antarctica, as has the United States, international law regarding sovereignty over uninhabited areas is so vague that other countries as yet having no official territorial claims, but whose citizens have also made discoveries and conducted explorations, could likewise claim participation in an international administration.

15. The USSR probably would not make claims on the grounds of discoveries made by the Imperial Russian Expedition of 1819-1820 under von Bellingshausen. A territorial claim by the Russians on the basis of prior discovery would leave them open to similar claims by other countries to islands in the Arctic which the Russians consider Soviet territory. And participation in an international control over Antarctica would leave them open to demands for a similar regime in the Arctic which would be entirely contrary to their long maintained sector principle of sovereignty in that area. However, there is nothing to prevent the Russians from sending an expedition to the unclaimed sector of the Antarctic continent between 90° and 150° West Longitude, establishing a permanent base there, conducting explorations and laying official claim to territory on the basis of these activities.

16. Making official United States claim, on the basis of discovery and exploration by American citizens, to the unclaimed sector is thus desirable on two grounds: (1) to forestall any Soviet attempt to become a territorial claimant by activities in this sector, and (2) prevent the USSR and other non-claimant powers from claiming a right to participate in discussions for an international regime on the ground that the U.S. is not a claimant power.

17. Such action on our part would also serve to safeguard our position and rights should the proposal for internationalization prove unacceptable to the other countries concerned. It is with that possibility in mind that we should claim all areas in Antarctica to which we have the best right by virtue of discovery and exploration on the part of our nationals, even though some of the areas thus claimed are also claimed by other powers.

18. The continuation of the present situation with annual recurrences of tension would perhaps best suit the USSR. The friction and contention attendant upon an effort to partition Antarctica among the various claimants by the long and uncertain process of court settlement would likewise serve their purposes well. An international arrangement not connected with the United Nations would give them factual grounds for a charge (which would be heard sympathetically by some

nations outside the Soviet orbit) that the United States and the other nations concerned were by-passing and weakening the United Nations. It is important to our general international position that we maintain our full support of the United Nations and that any onus of weakening and disrupting the United Nations remain exclusively upon the USSR. Although the Soviet Union and its satellites could enter an objection to any agreement for internationalizing Antarctica which is submitted to the United Nations for approval and could subject the administration set up under it to annual criticism, such action on the part of the Soviet Union or its satellites would be generally recognized for what it was, a mere attempt to cause friction.

19. While the trusteeship system of the United Nations was established primarily "for the development of peoples, not penguins", there is nothing in the Charter excluding the application of a trusteeship to uninhabited areas. In fact the establishment of a trusteeship over Antarctica would appear to be justified by the first of the four basic objectives of the system as stated under Article 76, viz., "to further international peace and security". While it seems unlikely that war could break out over disputed claims in Antarctica, it cannot be denied that wars in the past have grown out of disputes of even more trivial nature.

20. In view of the number of claimant powers and the strong position taken by some of them, a trusteeship would have to be of a joint nature under the authority of the UN Trusteeship Council. While a joint trusteeship would present serious administrative problems in areas with permanent indigenous populations or significant exploitable economic resources, the absence of these in Antarctica should simplify matters. The fact that primary interest in the region, aside from national prestige, is scientific, suggests that the administration of the trusteeship should have to do primarily with coordinating scientific investigations, the maintenance and operation of permanent scientific stations, certifying expeditions and the like. Since scientists in general subscribe to the doctrine that "science knows no boundaries", and since the bulk of the "population" in Antarctica at any one time would be composed of members of scientific expeditions or stations, national frictions should be reduced to a minimum.

21. Since a principal scientific interest in the Antarctic region is meteorological observation for the purpose of making long range weather forecasts for the Southern Hemisphere, and since meteorological stations on certain uninhabited islands not included in the Antarctic region as here defined would improve the accuracy of such forecasts, the proposed international administration should be empowered to accept these islands from the owning states if the latter wish to assign them.

22. It may be desirable at some future time to admit to participation in the international administration of Antarctica other nations which may have a legitimate interest in that area and which may be able to make a significant contribution to scientific developments in that area. Thus, although the Union of South Africa has carried on no explorations in Antarctica and has made no claims to territory in that region, its ports have served as bases for operations in Antarctic waters and it claims certain islands in sub-Antarctic waters which it might be desirable to include in the area under international administration in order to better coordinate meteorological observations and improve long range weather forecasts for the Southern Hemisphere. Because of its geographical position in the Southern Hemisphere, the Union is likely to have an interest in such forecasts. However, any provision for subsequent admission to the international regime of states not participating in the original convention should be so worded as to exclude the possibility of admitting the Soviet Union or any of the states in its orbit.

#### RECOMMENDATIONS

1. It is recommended that the United States support in principle the establishment of an international status for Antarctica, in the form of a United Nations trusteeship or in other suitable form, the terms of which should be agreed on by the United States, Great Britain, Australia, New Zealand, Argentina, Chile, France, and Norway before submission to the United Nations General Assembly for approval. A trusteeship would be administered by the above powers. A draft for a trusteeship agreement, to be submitted to the other seven powers as a basis for discussion, is attached hereto.

2. The United States should at an appropriate time make official claim to areas in Antarctica to which it has the best rights by virtue of discovery and exploration on the part of its nationals. This action is necessary in order to place the United States on an equal footing with the other seven powers, all of which have made official claims to Antarctic territory. A geographic definition of the areas to be claimed by the United States will be provided by Mr. Boggs, R/GE.

The announcement of United States claims should not be made until after agreement to negotiate an international settlement has been obtained from the other seven powers and it should be explained to these powers, prior to the announcement of our claims, that they are being made in order to place the United States on an equal juridical footing with them and that they would be suspended on the coming into effect of a satisfactory international statute.

3. It is recommended that the proposed international area include the Antarctic Continent and all islands south of 60° South Latitude except, at least initially, the South Shetland and South Orkney groups



regarding which the British believe they may be able to work out a settlement with Argentina and Chile. (The British, and possibly also Argentina and Chile, might be informed during the preliminary negotiations looking toward the setting up of an international area that in the event of their failure to reach a satisfactory settlement regarding the South Shetlands and the South Orkneys, we would favor their inclusion in the international area.)

4. Our proposal for establishing an international area should be presented to the British, Australian, New Zealand, Norwegian, French, Argentine and Chilean Governments. In view of discussions already held with the British, it is recommended that the British representative here be informed of our proposals before they are submitted to the representatives of the other powers. It is also recommended that, in compliance with our commitment to the Chilean Government, a competent representative of the Department be sent to Santiago to present our proposals and discuss them in detail with the appropriate Chilean authorities. The same representative of the Department might well proceed also to Buenos Aires for a similar purpose.

5. Upon the attainment of substantial agreement through diplomatic conversations, a conference should be convoked to put the agreement in final form and to formalize it. (The locus of the conference may be left for decision on the basis of developments as negotiations proceed.)

6. Every effort should be made to secure substantial agreement in diplomatic negotiations, if not the signing of a convention, before the beginning of the next navigation season in Antarctic waters.

7. The convention should be ratified as promptly as possible by the governments of the several countries and submitted to the General Assembly of the United Nations.

8. It is recommended that responsibility for handling this matter on the operational level be assigned to \_\_\_\_\_ (to be named by the Under Secretary) who will be assisted, in the capacity of Executive Secretary, by Mr. Caspar Green of NOE. Mr. \_\_\_\_\_ should be at liberty to draw on the interested offices of the Department for assistance and advice, but he should have the power, at his own discretion, to make decisions which arise currently in the process of consultations and negotiations, subject to the final authority of the Secretary in matters of particular importance.

It will be understood that the recommendations set forth above represent only an initial indication of the direction in which the Department should endeavor to make progress. They will naturally be subject to modification in the light of the views of other nations. However, no decision should be taken which would represent a fundamental departure from this pattern, unless the matter has been re-examined as a long-term policy question.

[Enclosure]

*Draft Agreement Prepared by the Department of State*

SECRET

[WASHINGTON, undated.]

## DRAFT AGREEMENT ON ANTARCTICA

WHEREAS explorers and scientists of the signatory states have explored, investigated and charted extensive regions in Antarctica;

WHEREAS vast areas have not yet been seen by man, and large portions of the coasts are inaccessible by ship at all times because of ice conditions in contiguous seas;

WHEREAS scientific data that may be obtained only in the Antarctic regions are urgently needed because of their planetary significance in many fields of knowledge, including meteorology, terrestrial magnetism, studies of cosmic rays, geology, and biology, some of the results of which may prove to be of great practical value in relation to navigation by sea and air, telecommunications, agriculture and other human activities in many parts of the world;

WHEREAS facilitation of comprehensive scientific exploration and observation is of prime importance in the Antarctic regions, requiring encouragement in the establishment of fixed stations for scientific observations wherever it is physically feasible and advisable to locate and support them, and likewise requiring unhindered mobility of parties penetrating very large interior regions of continental ice-cap by air and surface transport;

WHEREAS Article 75 of the Charter of the United Nations provides for the establishment of an international trusteeship system for the administration and supervision of such territories as may be placed thereunder by subsequent agreements;

WHEREAS under Article 77 of the Charter the trusteeship system may be applied to territories voluntarily placed under the system by states responsible for their administration;

WHEREAS Argentina, Australia, Chile, France, the Kingdom of Norway, New Zealand, the United Kingdom of Great Britain and Northern Ireland, and the United States of America are for the purposes of Article 77 of the Charter responsible for the administration of Antarctica;

WHEREAS the aforesaid states, being the states responsible for Antarctica, have agreed in accordance with Article 79 of the Charter upon terms of trusteeship for Antarctica and jointly submit those terms to the General Assembly of the United Nations for approval;

NOW, THEREFORE, Argentina, Australia, Chile, France, the Kingdom of Norway, New Zealand, the United Kingdom of Great Britain and Northern Ireland, and the United States of America have entered this

agreement and the General Assembly of the United Nations, having satisfied itself that the relevant articles of the Charter have been complied with, hereby resolves to approve the following terms of trusteeship for Antarctica.

#### ARTICLE I

The territorial scope of the trusteeship established by this agreement shall be the following: the Antarctic continent and all islands south of 60° south latitude except the South Shetland and South Orkney groups.

#### ARTICLE II

By the conclusion of the present agreement, the parties hereto merge and join their claims to, and interests in, specific portions of the area covered by this agreement and vest such individual claims and interests in the special regime hereby established, each agreeing not to seek a division of the territory in the area, but to join with the others for the purposes embodied in this agreement.

#### ARTICLE III

1. Argentina, Australia, Chile, France, the Kingdom of Norway, New Zealand, the United Kingdom of Great Britain and Northern Ireland, and the United States of America are designated jointly as the administering authority of the trust territory.

2. For the purposes of Article 86(1)(a) of the Charter, the member administering the trust territory shall be understood to be one of the aforesaid states which comprise the administering authority. Each of those states shall serve successively in the English alphabetical order, beginning on January 1, 1949, as a member of the Trusteeship Council administering the trust territory for a three-year period.<sup>2</sup>

3. At the regular session of the General Assembly immediately preceding the date on which one of the aforesaid states, not then a member of the Trusteeship Council, begins its period of membership by virtue of this Article, another member shall be elected to the Council in fulfillment of the terms of Article 86(c) of the Charter.

#### ARTICLE IV

1. The aforesaid states which comprise the administering authority shall create a Commission, composed of one representative of each

<sup>2</sup> Airgram A-556, July 12, to London, not printed, repeated to Oslo, Paris, Buenos Aires, Santiago, Canberra, and Wellington, instructed that the last sentence of this paragraph be deleted and be replaced by the following two new sentences:

"Those states shall therefore be represented on the Trusteeship Council by one of their number serving as a member of the Trusteeship Council for a three-year period. This representation shall be rotated according to the English alphabetical order of the states comprising the administering authority beginning on January 1, 1949." (800.014 Antarctic/7-148)

of these states to exercise the powers and carry out the responsibilities of the present agreement.

2. The Commission shall meet at such place as it deems appropriate and at such times as it may deem necessary. It shall adopt its own rules of procedure. Decisions of the Commission on substantive matters shall be made by a two-thirds majority of the members present and voting.

3. The Commission shall appoint a Secretary and authorize the appointment by the Secretary of such staff as it shall deem necessary. The Commission shall prescribe the conditions of employment of the Secretary and staff.

4. The Secretary shall maintain offices at such place and perform such functions as the Commission shall direct.

5. The cost of administering the special regime, including the expenses of the Commission and Secretary, shall be borne in equal shares by the parties hereto.

#### ARTICLE V

The Commission shall cooperate with appropriate specialized agencies of the United Nations and with international scientific bodies on matters of mutual concern.

#### ARTICLE VI

1. The Commission shall, through a scientific board or other appropriate agency, draw up plans for exploration, investigation, and scientific and technical development which may be carried out jointly by some or all of the signatories of this agreement, and into which projects of individual member states may be fitted. The parties hereto also undertake, through the Commission, to prescribe appropriate procedures and conditions under which states, and privately supported expeditions, may be granted permission to conduct scientific investigations, develop resources and carry on other activities consistent with the purposes of this agreement.

2. The parties hereto agree, upon approval of any such plans by the Commission, to insure that undertakings in the area shall be consistent with these plans. They agree also to foster individually and jointly the establishment of facilities and the conduct of scientific investigations.

3. The parties hereto likewise agree to foster, under such rules as the Commission may prescribe, free access to, and freedom of transit through or over the area. The Commission may prescribe that expeditions and stations within the area display an emblem representing the international commission as well as any national emblem or flag which they may display.

## ARTICLE VII

The administering authority may take all necessary measures in the trust territory, within the terms of Article 84 of the Charter, for the maintenance of international peace and security.

## ARTICLE VIII

The administering authority shall carry out in the trust territory the basic objectives of the trusteeship system as set forth in Article 76 of the Charter, so far as they may be applicable to the trust territory.

## ARTICLE IX

1. States other than those aforementioned may adhere to the present agreement with full rights thereunder upon approval by the original signatories and with the approval of the General Assembly of the United Nations.

2. Antarctic and sub-Antarctic islands not included in the area of the present agreement may be included subsequently upon the request of the owning country or upon agreed request by claimant countries and with the approval of two-thirds of the signatories.

## ARTICLE X

The terms of the present agreement shall not be altered or amended without the consent of the aforementioned states which comprise the administering authority.

## ARTICLE XI

This agreement shall enter into force as between the aforementioned countries when all of them shall have become parties thereto by due constitutional process and as between those countries and the United Nations upon approval by the General Assembly of the United Nations.

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800.014 Antarctic/6-2548

*The Department of State to the British Embassy*<sup>1</sup>

SECRET

## AIDE-MÉMOIRE

The following considerations, in briefest outline, have led us to the conclusion that the establishment of an international status for the Antarctic area is the most practicable and preferable method of solv-

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<sup>1</sup> This *aide-mémoire* together with a copy of the Draft Agreement on Antarctica (*supra*) were handled to Sir John Balfour, the British Minister, on June 25; see telegram 2424, June 26, to London, *infra*. The *aide-mémoire* and the Draft Agreement were subsequently sent to the Embassy in London under cover of instruction 285, July 1, not printed (800.014 Antarctic/7-148).

ing the problem of conflicting and potentially conflicting claims in that area.

In view of the engagement in the area of the prestige of various nations; in view of the very difficult problems which would be posed, should a division among the various national sovereignties be sought through the International Court; in view of the fact that the foreseeable values of Antarctica are scientific rather than strategic or economic; and because an international regime would be well calculated to promote the exploitation of these scientific values: internationalization appears to present the best possibility of removing the area from the field of present or potential future contention, at the same time preserving to the most interested nations control over the strategic use and possible economic value of the area.

*Strategic Significance.* Strategic interest in the area centers on the Drake Passage between Tierra del Fuego on the north and the South Shetland Islands on the south. In the event of the closing of the Panama Canal, this Passage would become an important sea route and hostile naval or air units based on either side of it could interfere with passage of naval or commercial shipping. Chile and Argentina are the recognized sovereigns over Tierra del Fuego and islands adjacent thereto. Whatever the attitude of Argentina and Chile under war conditions, it is hardly likely that they would voluntarily give up control of their territories to the north of the Drake Passage. Exclusive control of the Drake Passage by Argentina and/or Chile would be prevented if Great Britain, Argentina and Chile share control of the South Shetland Islands or, preferably, if those islands were made part of an international area administered jointly by the several interested powers, including the United States and Great Britain. It will be noted that under the proposal, no additional nations could be included without the consent of all the original signatories.

*Need for a Settlement.* The conflict of interests, the friction and disagreement generated by the conflict of claims, and the unsettled status of Antarctica perturbs otherwise amicable relations and is susceptible of exploitation by the USSR to the disadvantage of the interested nations.

*Values of a Settlement.* An international administration for the Antarctic continent and sub-Antarctic islands would promote the further systematic scientific exploration and investigation of Antarctic phenomena. It would facilitate the correlation of meteorological observations of practical significance in long range weather forecast, particularly for countries of the Southern Hemisphere.

WASHINGTON, June 25, 1948.

000.014 Antarctic/6-2648 : Telegram

*The Secretary of State to the Embassy in the United Kingdom*

SECRET

WASHINGTON, June 26, 1948—2 p. m.

2424. Dept Jun 25 handed to Brit Emb *aide-mémoire* and draft proposal for settlement Antarctic question on basis trusteeship arrangement.<sup>1</sup> Brit informed we are obligated to present matter similarly to other interested countries in ten days or two weeks. Following points made in conversation: Our approach will be to present proposal as basis for discussion and negotiation. Brit attitude as expressed previously has been taken into account. Our proposal calculated to prevent Sov intervention in process of settlement or interference with resulting status. South Shetland and South Orkney Island groups omitted from draft for proposed trust area on understanding Brit prefer attempting work out settlement with Arg and Chile. We hope amicable tripartite negotiations will be underway before next navigation season. On principle we would prefer inclusion of these Islands in trust area and we reserve our position for review in light Chilean and Arg positions on this question. Implication draft proposal that US will become claimant power was confirmed. Explanation made that once negotiations started US expects to announce claims for purpose of leaving no part of area unclaimed, putting US on equal legal basis with other negotiating countries, and safeguarding US national interest.

Hope was expressed that Brit will accept proposal as basis for discussion and that they will appreciate our obligation to approach other interested countries.<sup>2</sup>

Policy study, draft proposal etc., being airmailed.

MARSHALL

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<sup>1</sup> The *aide-mémoire* under reference here is printed *supra*. The "draft proposal" referred to here is the Draft Agreement on Antarctica included as an enclosure to document PPS 31, June 9, p. 977.

<sup>2</sup> A detailed memorandum of the conversation summarized here is included in the Central Files of the Department under 800.014 Antarctic/7-148.

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S/S-NSC Files : Lot 63 D 351 : NSC 21 Series

*The Secretary of Defense (Forrestal) to the Secretary of State*<sup>1</sup>

SECRET

WASHINGTON, 1 July 1948.

DEAR MR. SECRETARY: I have given careful consideration to your letter of 15 June 1948 concerning Antarctica and to the enclosed paper

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<sup>1</sup> The source text is included in document NSC 21, July 13, 1948; regarding NSC 21, see footnote 1 to document PPS 31, June 9, p. 977.

which outlined a proposed future course of policy in that area.<sup>2</sup> In addition, your letter and the accompanying papers have been considered by the Joint Chiefs of Staff, and I enclose a copy of their comments.

My earlier letter<sup>3</sup> was addressed to the question of whether, from a military standpoint, it was preferable to seek a solution to the problem of Antarctica through (1) the establishment of a trusteeship, (2) the conclusion of a condominium agreement, or (3) juridical settlement. I there expressed the view that the assertion of American claims, followed by the submission of the entire question to an international tribunal, appeared to be the course which was best adapted to accommodate military requirements. This conclusion was founded on our doubts as to whether it would be possible, in establishing either condominium or trusteeship, to meet the following two conditions which are considered of military importance: (1) That participation in the control of all or any areas in Antarctica should be denied to our most probable enemies, and (2) that the arrangement should in no wise constitute a precedent which might prejudice future interests of the United States in the Arctic. In reaching these conclusions, we naturally did not take into account pertinent factors of a purely political character which fall wholly within the province of the Department of State.

Assuming that the foregoing conditions can in fact be met, we would have no objections from a military standpoint to the course of action which you propose. Whether this can be done is a question which the State Department is better qualified to answer than the National Military Establishment. Consequently, if you conclude that there is every reasonable prospect that these conditions can be fulfilled, then we are agreeable to your proceeding at once with the implementation of your proposals. On the other hand, if you have doubts in this regard, then I would prefer, as you suggest, to have the question submitted to the National Security Council. Under such circumstances, the Council would, in my opinion, be the appropriate agency in which to weigh the various military and political considerations involved.

Sincerely yours,

FORRESTAL

<sup>2</sup> The reference here is to the Secretary of State's letter of June 15, not printed, which transmitted to Secretary Forrestal a copy of document PPS 31, p. 977. Regarding Secretary Marshall's letter, see footnote 1 to PPS 31.

<sup>3</sup> Secretary Forrestal's letter of April 12 to Secretary Marshall, p. 971.



[Enclosure]

*Memorandum by the Joint Chiefs of Staff for the Secretary of Defense (Forrestal)*

SECRET

WASHINGTON, 25 June 1948.

Subject: United States Antarctic Policy.

In accordance with the request contained in the memorandum from your office dated 16 June 1948,<sup>4</sup> the Joint Chiefs of Staff have considered the policy proposal referred to in the enclosed letter from the Secretary of State and set forth in detail in the Department of State paper attached thereto.<sup>5</sup>

The Joint Chiefs of Staff note that the advice now requested is not as to a choice among trusteeship, condominium, or juridical settlement as was the case when this matter was previously referred to the Joint Chiefs of Staff; rather, it is whether there is objection on military grounds to the Department of State's proposal that:

a. The United States support the establishment of an international status for Antarctica in the form of United Nations trusteeship or in other suitable form, and

b. That the United States at an appropriate time make official claims to areas in Antarctica to which it has best rights.

The Joint Chiefs of Staff are of the opinion that United States security interests demand that participation in the control of all or any areas in Antarctica be denied our most probable enemies. In order that the United States Government may be recognized as a party of interest in Antarctica, it must make and press its claims in that area.

It is not within the province of the Joint Chiefs of Staff to determine whether or not the method now proposed for settlement of the Antarctica problem will be satisfactory from the political viewpoint nor to pass upon the degree to which this method will assure:

a. Control of the Antarctica area by friendly powers, and

b. Exclusion from possession of any part of the Antarctica area and from participation in any form of international control thereof by probable enemies of the United States.

The Joint Chiefs of Staff recommend, however, that as a matter of national security, no step be taken nor commitment made that will make it impracticable for the United States Government to maintain these two essential points. With this proviso, the Joint Chiefs of Staff perceive no objection on military grounds to the proposed course of action.

In addition, the Joint Chiefs of Staff would reaffirm their view that settlement of the Antarctica problem should not be regarded as a

<sup>4</sup> Not printed.

<sup>5</sup> See document PPS 31 and footnote 1 thereto, p. 977.

precedent for any United States Arctic policy that might weaken our future Arctic interests.

For the Joint Chiefs of Staff:

WILLIAM D. LEAHY

*Fleet Admiral, U.S. Navy,*

*Chief of Staff to the*

*Commander in Chief of the Armed Forces*

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*Editorial Note*

The British Government's response to the proposals advanced by the Department of State in its *aide-mémoire* of June 25 and the draft agreement attached thereto (page 987) was set forth in a British Embassy *aide-mémoire* of July 3 to the Department of State, not printed. The British accepted in principle the United States initiative, but they indicated they would prefer an eight-power condominium because a United Nations trusteeship, as proposed by the United States, would give the Soviet Union an opportunity to interfere in Antarctic affairs. The British also objected to a United Nations trusteeship because it would involve and possibly distort those chapters of the U.N. Charter intended to apply to inhabited and backward territories (800.014 Antarctic/7-348). In the light of the British comments and criticisms, the Department of State revised its draft agreement to provide for a condominium. For the text of the later draft, as circulated to various interested governments, see the enclosure to the Department's *aide-mémoire* of August 9 to the Australian Embassy, page 996.

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800.014 Antarctic/7-948: Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State.*

SECRET

LONDON, July 9, 1948—7 p. m.

3089. Shuckburgh [of] Foreign Office<sup>1</sup> told us for background July 9 that immediately (Department's instructions, 285, July 1 re Antarctic settlement<sup>2</sup>) prior June 25 Foreign Office had decided British Government should tell Argentine and Chilean Governments informally that if they would agree submit Antarctic claims to International Court, British Government would not press its claims to certain of disputed areas. He said South Shetlands and South Orkneys

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<sup>1</sup> Charles A. E. Shuckburgh, Head of the South American Department, British Foreign Office.

<sup>2</sup> Not printed, but see footnote 1, p. 987.

were areas Foreign Office contemplated trying to hold, yielding elsewhere. Matter had reached Cabinet level for approval but was withdrawn when Foreign Office learned of Department's proposals of June 25.

He referred to Foreign Office's telegram of July 2 to British Embassy Washington instructing it inform Department urgently that (1) Foreign Office welcomed Department's proposals in general but considered Antarctica should not be placed under UN because of opportunities for trouble-making which would be afforded Russia, and (2) that Foreign Office would be prepared place all British-claimed Antarctica south of 60 degrees south latitude under Eight-Power control but that reservations would have to be made re all of South Shetland Islands except Elephant and Clarence Island groups. He mentioned that there had been insufficient time obtain Cabinet approval Foreign Office's telegram of July 2.

He said he had heard nothing from British Embassy on this subject since July 2 and hoped there had been time for Department to reconsider UN aspect of matter before we informed Argentine Government.

He said British anxious find way of settling this dispute with Argentina and Chile in view of prospective repeated loss of prestige for Britain over this situation in future.

DOUGLAS

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800.014 Antarctic/7-148

*The Secretary of State to the Secretary of Defense (Forrestal)*

SECRET

[WASHINGTON,] July 9, 1948.

DEAR MR. SECRETARY: I have received your letter of July 1, 1948, regarding the proposed course of action relating to Antarctica.

The Department of State believes that there is every reasonable prospect that the proposed course of action will deny to our most probable enemies participation in the control of all or any areas in Antarctica, and that such control will be exercised by friendly powers. These points will be borne in mind by the Department's Officers who are dealing with the problem.

This Department also will inform all governments with which the problem has been or will be discussed that the proposed course of action in Antarctica does not in any way constitute a precedent which would affect, directly or indirectly, the interests of the United States in the Arctic Polar Region.

In view of these circumstances, the Department of State does not believe that action by the National Security Council is necessary. How-

ever, I am transmitting copies of your letter of July 1, this reply, and the paper on Antarctica to the Council for the information of its members.

Faithfully yours,

G. C. MARSHALL

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*Editorial Note*

In April 1948, the Chilean Government asked the United States to send a representative to Santiago to discuss the Antarctic question with Chilean Foreign Ministry officials. The Department of State subsequently agreed to the request subject to the understanding that the American Antarctic expert would also go to Buenos Aires for conversations with Argentine officials. Caspar D. Green of the Division of Northern European Affairs was selected to carry out the mission to Santiago and Buenos Aires. Green took with him copies of the Draft Agreement on Antarctica (page 984) and an *aide-mémoire* for presentation to the Chilean and Argentine Foreign Ministries. The *aide-mémoire* was the same one given to the Australian Embassy and five other missions in Washington on August 9 (see page 996). Green also had with him an outline of oral comments he might make.

Green arrived in Santiago at the beginning of July, but because of a Chilean cabinet crisis, conversations with Foreign Ministry officials were delayed until July 12. Serving as the principal Chilean representative in talks with Green, which lasted until July 17, was Professor Julio Escudero Guzman, former Legal Adviser in the Chilean Foreign Ministry and unofficial consultant to the Ministry. For a summary telegraphic report on Green's mission to Santiago, see telegram 495, July 19, from Santiago, *infra*. Detailed reports on the talks were transmitted to the Department of State in despatches 460, July 13, 470, July 14, 475, July 19, 477, July 19, and 485, July 22, from Santiago. These despatches are all included in file 800.014 Antarctic.

Green travelled from Santiago to Buenos Aires for a brief visit. Accompanied by Counsellor of Embassy Guy W. Ray, Green called upon Dr. Pascual La Rosa, Subsecretary for Political Affairs of the Argentine Foreign Ministry, on July 21 and presented the *aide-mémoire* and Draft Agreement on Antarctica. The meeting, the only one Green had in Buenos Aires, was reported in telegram 730, July 21, from Buenos Aires, page 995 and in detail in despatch 468, July 21, from Buenos Aires not printed (800.014 Antarctic/7-2148).

800.014 Antarctic/7-1948: Telegram

*The Ambassador in Chile (Bowers) to the Secretary of State*

SECRET

SANTIAGO, July 19, 1948—4 p. m.

495. Green cordially received here.<sup>1</sup> In several sessions with Escudero he had given background and explanation of US thinking on internationalization of Antarctic. Escudero's exposition of the Chilean viewpoint has stressed heavily special quality American quadrant as part of Western Hemisphere, citing Hemisphere defense zone and Panam resolution on European colonies among other things. On trusteeship he doubts applicability of charter provisions to Antarctic case. Feels Chile would have unique and unbeatable case before International Court and that we may overrate difficulties that method solution. However, Chile not committed itself as to court. Other Chilean officials have stressed desire avoid repetition last season's incidents and also apprehension of Argentina position vis-à-vis Chile.

Green noted US could not favor Chile and Argentina against UK or vice versa but sought solution which fully safeguards Western Hemisphere interests and is acceptable to all interested nations. Green has expressed hope their review of practicable alternatives will lead them to conclusion similar to ours. In final conversation Escudero presented for consideration draft for joint declaration by interested nations which would freeze present legal rights and interests for period five or ten years (actions in Antarctica by declaring countries during that period to have no legal effect on their rights) and eliminate levying of whaling fees by UK.

BOWERS

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<sup>1</sup> Regarding Caspar D. Green's mission to Santiago, see the editorial note, *supra*.

800.014 Antarctic/7-2148: Telegram

*The Chargé in Argentina (Ray) to the Secretary of State*

SECRET

BUENOS AIRES, July 21, 1948—5 p. m.

730. Antarctic *aide-mémoire* handed to Larosa this morning.<sup>1</sup> Larosa emphatic and voluble in personal conviction that internationalization totally unacceptable as basis discussion: question is one of national sovereignty on which Argentina, Chile and US could easily agree. However, it is utterly inadmissible that countries outside west-

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<sup>1</sup> Regarding Caspar D. Green's visit to Buenos Aires, see the editorial note, p. 994.

ern hemisphere should be given voice within American quadrant. If US would cease backing illegal British retention of Falklands (about which Argentine feelings profound), Antarctic problem would be easy. US should not make mistake of considering Argentina too lightly in the general picture.

In reply to inquiry Green said Chileans had taken no position.

Larosa indicated definite comment would be given later but other matters now preoccupying Foreign Ministry.

Chance may exist Argentina will use perverted interpretation our Antarctic proposal in current anti-US press outburst.

RAY

800.014 Antarctic/8-948

*The Department of State to the Australian Embassy*<sup>1</sup>

SECRET

AIDE-MÉMOIRE

The following considerations, in briefest outline, have led the United States Government to the conclusion that the establishment of an international status for the Antarctic area is the most practicable and preferable method of solving the problem of conflicting and potentially conflicting claims in that area.

The prestige of several nations is engaged in the area. Very difficult problems would be posed, should a division among the various national sovereignties be sought through the International Court. The foreseeable values of Antarctica are predominantly scientific rather than strategic or economic. An international regime would be well calculated to promote the exploitation of these scientific values. Internationalization, therefore, appears to present the best possibility of removing the area from the field of present or potential future contention, at the same time preserving to the interested nations control over the strategic use and possible economic value of the area.

The conflict of interests, the friction and disagreement generated by the conflict of claims, and the unsettled status of Antarctica perturbs otherwise amicable relations and is, moreover, susceptible of exploita-

<sup>1</sup> Identic *aide-mémoire*, together with copies of the enclosed Draft Agreement on Antarctica, were addressed to the New Zealand Legation and the Argentine, Chilean, British, French, and Norwegian Embassies. This *aide-mémoire* is the same as that presented by Caspar D. Green to the Chilean and Argentine Foreign Ministries during his July visits to Santiago and Buenos Aires; see telegrams 495, July 19, from Santiago and 730, July 21, from Buenos Aires, p. 995. The Department's action in circulating the *aide-mémoire* and accompanying Draft Agreement was reported in telegram 3164, August 10, to London, repeated as 308 to Oslo, 3051 to Paris, 726 to Buenos Aires, 302 to Santiago, 181 to Canberra, and 77 to Wellington, not printed (800.014/Antarctic/8-1048).

tion to the disadvantage of the interested nations by nations and groups who hope to profit from discord.

An international administration for the Antarctic continent and sub-Antarctic islands would promote the further systematic scientific exploration and investigation of Antarctic phenomena. It would facilitate the correlation of meteorological observations of practical significance in long range weather forecast, particularly for countries of the Southern Hemisphere. A settlement by internationalization should, as stated above, also remove the area from the field of present or potential future conflict, at the same time preserving to the interested nations control over any actual or potential values which the area may contain, while widening the sphere of friendly, cooperative international endeavor.

The United States hopes that the interested nations will endeavor to agree on some form of internationalization of the area. In order to provide a basis for discussion, a plan for an international administration of the area has been prepared. However, the United States will welcome suggestions from Australia, and will gladly discuss any alternative proposals.

WASHINGTON, August 9, 1948.

[Enclosure]

*Draft Agreement Prepared by the Department of State*<sup>2</sup>

SECRET

[WASHINGTON, undated.]

#### DRAFT AGREEMENT ON ANTARCTICA

WHEREAS explorers and scientists of the signatory states have occupied a leading position in the exploration and investigation of the Antarctic regions and have explored and charted extensive areas thereof;

WHEREAS vast areas have not yet been explored and charted, and large portions of the coasts are inaccessible by ship at all times because of ice conditions in contiguous seas;

<sup>2</sup> This Draft Agreement is a redraft of the earlier text included as an enclosure to document PPS 31, June 9, p. 977. The revision was carried out in the Department of State during the month of July, particularly in the light of comments by the British Embassy. Telegram 3164, August 10, to London, commented as follows on the earlier reaction to this version of the Draft Agreement:

"For your info Brit position now favorable (though UK hopes possibly to reserve two or three small islands); Chilean initial reaction negative but not categorical, one of its chief concerns being commitments to and necessity of dealing with Argentina; first Argentine reaction strongly unfavorable." (800.014 Antarctic/8-1048)

WHEREAS scientific data that may be obtained only in the Antarctic regions are urgently needed because of their planetary significance in many fields of knowledge, including meteorology, terrestrial magnetism, studies of cosmic rays, geology, and biology, some of the results of which may prove to be of great practical value in relation to navigation by sea and air, telecommunications, agriculture and other human activities in many parts of the world;

WHEREAS facilitation of comprehensive scientific exploration and observation is of prime importance in the Antarctic regions, requiring encouragement in the establishment of fixed stations for scientific observations wherever it is physically feasible and advisable to locate and support them, and likewise requiring unhindered mobility of parties penetrating very large interior regions of the continental ice-cap by air and surface transport;

WHEREAS Argentina, Australia, Chile, France, New Zealand, the Kingdom of Norway, the United Kingdom of Great Britain and Northern Ireland and the United States of America claim portions of Antarctica; and

WHEREAS these states have consulted as to the best means of facilitating and expediting scientific operations in the Antarctic regions, and recognize that the historic pattern of establishing mutually exclusive territorial claims manifested in other parts of the world is practically inapplicable in the Antarctic regions and that it would tend to impede scientific work in which they are all interested,

Now, THEREFORE, these states have agreed to establish a special regime in the Antarctic regions under the following terms:

#### ARTICLE I

The territorial scope of the special regime established by this agreement shall be the following: the Antarctic continent and all islands south of 60 degrees south latitude, except the South Shetland and South Orkney Groups.

#### ARTICLE II

By the conclusion of the present agreement, the parties hereto merge and join their claims to, and interests in, specific portions of the area covered by this agreement and vest such individual claims and interests in the special regime hereby established, each agreeing not to seek a division of the territory in the area, but to join with the others for the purposes embodied in this agreement.

#### ARTICLE III

1. There is hereby created an Antarctic Commission which shall constitute the actual government of the territories under its charge



with full executive and administrative powers. The Commission shall be comprised of one representative of each participating state.

2. The Commission shall meet at such place as it deems appropriate and at such times as it may deem necessary. It shall adopt its own rules of procedure. Decisions of the Commission on substantive matters shall be made by a two-thirds majority of the members present and voting.

3. The Commission shall appoint a Secretary and authorize the appointment by the Secretary of such staff as it shall deem necessary. The Commission shall prescribe the conditions of employment of the Secretary and staff.

4. The Secretary shall maintain offices at such place and perform such functions as the Commission shall direct.

5. The cost of administering the special regime, including the expenses of the Commission and Secretary, shall be borne in equal shares by the parties hereto.

#### ARTICLE IV

The Commission shall cooperate with appropriate organs and specialized agencies of the United Nations and with international scientific bodies on matters of mutual concern.

#### ARTICLE V

1. The Commission shall, through a scientific board or other appropriate agency, draw up plans for exploration, investigation, and scientific and technical development which may be carried out jointly by some or all of the signatories of this agreement, and into which projects of individual member states may be fitted. The Commission shall prescribe appropriate procedures and conditions under which states, and privately supported expeditions, may conduct scientific investigations, develop resources and carry on other activities consistent with the purposes of this agreement.

2. The parties hereto agree, upon approval of plans by the Commission, to insure that undertakings in the area shall be consistent with these plans. They agree also to foster individually and jointly the establishment of facilities and the conduct of scientific investigations.

3. The parties hereto likewise agree to foster, under such rules as the Commission may prescribe, free access to, and freedom of transit through or over the area. The Commission may prescribe that expeditions and stations within the area display an emblem representing the international commission as well as any national emblem or flag which they may display.

## ARTICLE VI

The signatory states, as authorized by the Commission, may take all necessary measures in the territory for the maintenance of international peace and security.

## ARTICLE VII

The terms of the present agreement shall not be altered or amended without the consent of the aforementioned states.

## ARTICLE VIII

This agreement shall enter into force when all of the aforesaid states shall have become parties thereto by due constitutional process.

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800.014 Antarctic/7-148

*The Under Secretary of State (Lovett) to the Secretary of Defense (Forrestal)*

SECRET

[WASHINGTON,] August 13, 1948.

MY DEAR MR. SECRETARY: I refer to Secretary Marshall's letter of June 15, 1948 enclosing policy recommendations on Antarctica<sup>1</sup> and to your reply of July 1, 1948.<sup>2</sup> The Department of State has now worked out a definition of the area in Antarctica to be claimed by the United States. A copy is attached. It is desired to obtain the concurrence of the National Defense Establishment with this definition of the area. There is annexed also a map<sup>3</sup> which shows the area contemplated by the textual definition. It is not expected, however, that any map will be issued or made public in connection with the announcement of the official American claim. It will be noted, of course, that the claim is not defined in terms of a sector.

In view of the conversations undertaken with the interested countries and the pending release of a commercial film on an American naval expedition to Antarctica, it is expected that there will be increasing publicity on this subject and I should like as soon as possible to be prepared to announce the American claim. It would therefore be appreciated if this matter could be given urgent attention. Mr. Samuel W. Boggs, the State Department Geographic Adviser, will make himself available if officers of the Defense Forces desire to confer with him on the subject.

Sincerely yours,

ROBERT A. LOVETT

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<sup>1</sup> See document PPS 31 and footnote 1 thereto, p. 977.

<sup>2</sup> *Ante*, p. 989.

<sup>3</sup> Not reproduced.

[Enclosure]

*Paper Prepared by the Department of State*

SECRET

[WASHINGTON, undated.]

## U.S. TERRITORIAL CLAIMS IN ANTARCTICA

The United States Government claims territory in the Antarctic regions which are described below, on the basis of activities of citizens of the United States who have participated in Antarctic expeditions over a period of nearly 130 years. These claims are founded upon numerous discoveries made by many expeditions, and upon extensive surveying and mapping operations by sea, land, and air, covering a great portion of the Antarctic coast and hundreds of thousands of square miles of hinterland. They include large areas which have been explored or seen only by members of expeditions supported from the United States, either by the Government or privately; they also include large areas already claimed by or on behalf of other countries, but in which the achievements of expeditions supported from the United States afford a basis for territorial claims which are of such validity as fully to justify claims by the United States.

The Antarctic territories claimed by the United States comprise the following:

1. Between the meridians 35° W. and 135° W. of Greenwich and between the parallels 68° S. and 81° S., all Antarctic mainland and adjacent islands which have been explored or mapped by United States expeditions, and areas completely encompassed within areas explored and mapped only by such United States expeditions, with the exception of those portions of the Palmer Peninsula and all adjacent islands (including Charcot Island and Alexander I Island), that had been previously actually seen and mapped by expeditions of nationalities other than the United States.

2. Between the meridians 135° W. and 140° E. of Greenwich, all Antarctic territory which has been explored and mapped by United States expeditions, but excluding all the area around the south pole which was claimed for Norway by Roald Amundsen in 1911, and those coastal areas actually seen and mapped previously by expeditions of nationalities other than the United States.

3. Between the meridians 140° E. and 13° E. of Greenwich, all Antarctic territory which has been explored and mapped by United States expeditions (all of which lies north of approximately 75° south latitude), but excluding all coastal areas actually seen and mapped previously by expeditions of nationalities other than the United States.

800.014 Antarctic/8-1648

*Memorandum of Conversation, by the Under Secretary of State  
(Lovett)*

CONFIDENTIAL

[WASHINGTON,] August 16, 1948.

Participants: Mr. Lovett, Under Secretary of State  
Sr. Felix Nieto del Rio, Ambassador of Chile  
Mr. Mills, Chief of NWC

The Ambassador of Chile referred to the recent visit to Chile of the Department's special representative, Mr. Green, to discuss the question of the Antarctic. He said that during these discussions the Chilean Government proposed a sort of stand-still agreement under which none of the countries interested in Antarctica would make efforts to promote their claims during a five year period and during this period Antarctica would be open to scientific and meteorological study by all. The Ambassador also referred to the U.S. proposal of a condominium. He stated informally and unofficially that this proposal did not appear attractive to his Government judging from despatches he has received. He requested that the Chilean proposal be given serious consideration by the Government of the United States.

I assured the Chilean Ambassador that it would receive careful consideration. I then pointed out that there was a time element involved since, if one person in the world so decided, agreement between the interested parties could be upset. The Ambassador indicated he thought my reference was to Great Britain. In view of this misunderstanding I told him frankly I had the Soviet Union in mind adding I had seen a memorandum which referred to claims by the Soviets that they had acquired rights in Antarctica by explorations more valid than those of some western hemisphere countries based upon royal grants during colonial times. This seemed to be a new thought to the Ambassador and he appeared to be impressed by the possibility of Russia advancing a claim. I added that by such a maneuver the Soviets might hope to gain a foothold in the western hemisphere.

ROBERT A. LOVETT

800.014 Antarctic/8-1748

*Memorandum of Conversation, by the Secretary of State*

SECRET

[WASHINGTON,] August 17, 1948.

Participants: The Secretary  
Mr. Norman J. O. Makin, Australian Ambassador  
Mr. R. L. Harry, First Secretary, Australian Embassy  
Mr. Caspar D. Green, NOE

Ambassador Makin called this morning by appointment made at his request.

He referred to the United States proposal for an international administration of Antarctica. He said that Australia's right to the territory under its administration in Antarctica had been unchallenged and that they had never thought of the necessity for an international administration. They felt there might be some difficulties. There are no people in Antarctica, but there is, for instance, the matter of whaling in Antarctic waters. They would look favorably upon an arrangement for scientific cooperation. He assured me of Dr. Evatt's desire to work out a satisfactory arrangement and said that Dr. Evatt would like to see me to discuss the subject. He said Dr. Evatt had suggested that we might have someone in London, or in Europe, who could converse with Dr. Evatt, giving him fuller information on our viewpoint, preparatory to his seeing me.

Upon Mr. Green's statement that there was no great urgency, I replied that I would be glad to look into the possibility of meeting Dr. Evatt's request.

I said that we had met a completely negative response from Argentina and Chile, which regard the matter as one of national sovereignty. Our feeling is that the situation is so complicated and the other means of settlement are so complicated that we are afraid we would come out the same hole we went in; that we want to work out a settlement and that internationalization seems to us the way to get it. We think we can get over any difficulties it may present.

Ambassador Makin said he felt sure that Dr. Evatt and I could work out an agreement.

(As Ambassador Makin and Mr. Harry went out, they told Mr. Green they hoped very much that we would not have to make any public announcement until there had been time to come to agreement. Mr. Harry asked if more details were available on the US claim. Mr. Green said the time was subject to decision and that we would try to give them as much advance notice as possible.)

G. C. M[ARSHALL]

*Editorial Note*

On August 28, the Department of State issued to the press a statement explaining that the Department of State had approached the Governments of Argentina, Australia, Chile, France, New Zealand, Norway, and the United Kingdom informally with a suggestion that a solution for the territorial problem of Antarctica be discussed. For the text of the statement, see Department of State *Bulletin*, September 5, 1948, page 301. The files of the Department indicate that the statement was issued because statements regarding the Antarctica discussions had already been issued by British Foreign Office and the Chilean Foreign Ministry.

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800.014 Antarctic/9-348

*The Secretary of Defense (Forrestal) to the Under Secretary of State (Lovett)*

SECRET

WASHINGTON, 3 September 1948.

DEAR MR. SECRETARY: This is with further reference to your letter of 13 August 1948<sup>1</sup> concerning the definition of the areas in Antarctica which are to be claimed by the United States.

In considering your request, I have sought and obtained the views of the Joint Chiefs of Staff. They are of the opinion that the proposed definition of areas to be claimed includes all areas to which the United States claim may reasonably be made, and that the definition of areas is sufficiently general to provide adequate flexibility for working out future details, which applies particularly to more precise determination yet to be made of the results of the most recent United States Antarctic explorations. The Joint Chiefs of Staff concluded, and I concur, that there is no objection from the military standpoint to the proposal of the Department of State concerning the areas within Antarctica which should be claimed by the United States.

For your information, I enclose a copy<sup>2</sup> of the views of the Joint Chiefs of Staff as expressed to me.

Sincerely yours,

JAMES FORRESTAL

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<sup>1</sup> *Ante*, p. 1000.

<sup>2</sup> Not printed.

800.014 Antarctic/9-748: Telegram

*The Minister in New Zealand (Scotten) to the Secretary of State*

SECRET

WELLINGTON, September 7, 1948—5 p. m.

139. Re deptel 77, August 10.<sup>1</sup> Secretary External Affairs<sup>2</sup> states Prime Minister<sup>3</sup> is willing to "go along" with American Antarctic proposals although closer UN relationship considered preferable. New Zealand Legation Washington receiving instructions.<sup>4</sup>

SCOTTEN

<sup>1</sup> Not printed, but see footnote 1 to the Department of State *aide-mémoire* of August 9 to the Australian Embassy, p. 996.

<sup>2</sup> A. D. McIntosh.

<sup>3</sup> Peter Fraser.

<sup>4</sup> Despatch 297, September 8, from Wellington, not printed, confirmed the contents of this telegram and enclosed a memorandum of a conversation with officials of the New Zealand Ministry of External Affairs indicating that although the New Zealand Government's first reaction to the American proposal had been adverse, its final favorable decision was influenced by the United Kingdom (800.014 Antarctic/9-848).

800.014 Antarctic/9-2048

*The Department of State to the French Embassy*

## AIDE-MÉMOIRE

The Department of State refers to the French Embassy's *aide-mémoire* of September 20, 1948<sup>1</sup> which requests information on several points of the United States Government's proposal for discussion of the problem of Antarctica. The views of this Government on the questions raised are given in the following paragraphs, numbered to correspond with the numbers in the French Embassy's *aide-mémoire*.

1. The United States proposal envisages the joining and merging of national claims. This would eliminate the establishment of individual national sovereignty over particular portions of the area. It would establish the joint sovereignty of the interested Governments over the area as a whole.

2. The United States proposal is intended to provide for complete liberty of bona fide scientific research. In order to promote the rational planning and carrying out of such research, the proposal recommends the development by the interested countries, acting through

<sup>1</sup> Not printed. Airgram A-1046, September 25, from Paris, not printed, reported that the French Foreign Ministry desired to have further information about the Draft Agreement on Antarctica before reaching a decision. The Embassy commented that the request for clarification might be in the nature of a stall to avoid giving a more definitely negative answer. Conversations between Embassy representatives and Foreign Ministry officials indicated a pronounced reluctance on the part of the French as regards the renunciation of Antarctic claims and their merger in an international body (800.014 Antarctic/9-2548).

the Antarctic Commission, of an overall plan of scientific investigation. It is hoped that each of the participating countries might undertake, upon completion of the general plan, so to plan its individual projects as to contribute to the accomplishment of some portion of that general plan. It is felt that this would be a useful arrangement to avoid duplication of effort, and to promote full, well-rounded investigation. However, with the single exception that no two expeditions should be stationed in such immediate proximity as to interfere with each other's operations, the United States Government feels that each country should be entirely free to send independent expeditions into any part of the area.

It is the thought of the United States Government that the regime would, as a minimum, promote and facilitate the exchange and common availability of scientific results.

3. It is the judgment of the United States Government that the cost of administration would, for the foreseeable future, be very small. Administrative functions would be at a minimum. Although no prospectus of a budget has been worked out, it is thought that the expense of each country would be limited to the part-time assignment of one or two officials to serve on the Commission and a share in the maintenance of a permanent Commission office to serve as a clearing house for information, exchange of data, preparation of agenda for Commission meetings, and similar functions.

4. It is the thought of the United States Government that the scope of an agreement with regard to Antarctica should not extend to matters which involve the oceans surrounding that area. This concept seems appropriate with regard to defense and security as well as with regard to other aspects, such as whaling.

The United States Government will welcome suggestions for the clarification or improvement of the proposed Article VI. The United States Government considers that a provision should be included in the proposal for agreement which would permit defense measures to be taken individually or jointly should the need arise. It is felt, however, that the eight nations, jointly, acting through the Commission, should retain the right to disapprove measures of defense proposed by any individual nation.

5. The proposal put forward by the United States Government envisages, under Article IV, an informal cooperative relationship between the Antarctic Commission and the specialized agencies (especially the scientific agencies) of the United Nations, for the mutual benefit of the Commission and the United Nations agencies. Practicable suggestions looking towards a closer or more formal relationship will be welcomed.



The Department of State hopes that the foregoing will be useful to the French Government in understanding the views of the United States Government on the points covered. The Department of State is gratified at the expression of the French Government's willingness to enter upon discussions seeking a solution of the Antarctic problem. The Department of State will welcome any observations or suggestions from the French Government on the subject.

WASHINGTON, September 28, 1948.

800.014 Antarctic/10-148

*Memorandum of Conversation, by the Chief, Division of Northern European Affairs (Hulley)*

SECRET

[WASHINGTON,] October 1, 1948.

Participants: Mr. T. H. Eustace, Chargé d'Affaires ad Interim, Legation of South Africa  
Mr. W. Dirkse-van-Schalkwyk, First Secretary, Legation of South Africa  
Mr. Edward T. Wailes, Chief, BC  
Mr. Benjamin M. Hulley, Chief, NOE  
Mr. John O. Bell, Associate Chief, NOE

Mr. Eustace said he came under instruction to bring to our attention the interest of South Africa in the Antarctic proposals mentioned in our press release of August 28, 1948.<sup>1</sup> He said he was speaking quite informally and did not intend to send us a note or any other communication. He spoke from a page of notes, a copy of which is attached.

I said I would be glad to comment equally informally giving my personal first reactions which should be regarded as unofficial. I was interested in the South African view that Antarctica is *terra nullius* and asked if that meant that none of the claims advanced would stand up in court. He said this was about the position apart from places like the Falkland Islands which had long been inhabited. I pointed out that the Falkland Islands did not come into our definition of the area and added that we too have doubts as to how far any of the claims which have been filed would be recognized by an international court under the accepted rules of international law.

I agreed that control of the area would be of vital concern to South Africa and that we had had this in mind when we drafted our plan, particularly in the provision for new member nations. However, I thought we would be embarrassed to bring any other nations into it

<sup>1</sup> See the editorial note, p. 1004.

before an agreement was reached since this might be a precedent for bringing in still other nations which we were taking care not to invite directly or indirectly. Specifically we had in mind Russia which had explored part of the area over a hundred years ago and had left names for some of the geographical features.

I said that whaling did not come into the picture as we contemplated only the land area, and whaling is covered by a separate international agreement. I agreed that meteorological data would be of utmost value to all the Southern Hemisphere and this and other scientific investigation seemed now to promise the main value of the continent. We have thought of trans-Antarctic airways, but from a study of the map, have concluded that this was not likely to be of interest, as, apart from Polar weather hazards, great circle routes between major cities in the Southern Hemisphere do not pass over the continent. As regards economic exploitation, we felt it to be of minor importance on the basis of our present knowledge, but were aware that future developments might change this.

With regard to informing him of the details of our approach to the other countries, I said I would want to consult other officers of the Department and would let him know next week.

He said he would not discuss this with any other Embassy here. I agreed this was best but I saw no objection if he wanted to talk to the British about it.

[Annex]

*Copy of Notes Prepared by the South African Embassy*<sup>2</sup>

NOTES ON ANTARCTICA

1. Refer to State Department, Washington, Press Release of 28th August, 1948.

2. The Union has not hitherto advanced any claim to Antarctic territory most of which it has regarded as *terra nullius*.

3. However, South Africa is the only major power in the Southern Hemisphere which is apparently to have no say in the future control and administration of the Antarctic Continent.

4. Control, when it is exercised, will doubtless prove to be of vital concern to the Union.

5. No one would deny our important whaling interests in the Antarctic.

6. On the meteorological side we hope to benefit from the establishment of stations at Antarctic bases.

<sup>2</sup> South African Chargé Eustace spoke from these notes during the conversation recorded above.

7. When trans-Arctic air communications become possible, they will be of definite interest to South Africa as will be apparent from any map.

8. When economic exploitation and development become possible, doubtless the Union will be one of the main bases from which operations will take place.

9. Finally, in the field of long range and long term strategy, the control of Antarctica will always be a matter of major concern to South Africa.

These points it is hoped will indicate the extent of South Africa's interests and should justify consideration being given to the association of the Union with any organization or machinery which may be devised to control and administer the Antarctic Continent.

The Union Government will be grateful to receive particulars of the approach which has been made to the Governments so far concerned and trusts that the United States will appreciate the extent of South Africa's concern with the proposals for some form of internationalization of the Antarctic Continent. It is accordingly hoped that an opportunity will be provided for the South African Government to comment in detail on any proposals which are made in this regard.

WASHINGTON, 1 October 1948.

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800.014 Antarctic/10-848: Telegram

*The Ambassador in Chile (Bowers) to the Secretary of State*

CONFIDENTIAL

SANTIAGO, October 8, 1948—5 p. m.

667. Foreign Office note rejects US Antarctic proposal as unacceptable on basis Chilean supreme decree November 6, 1940<sup>1</sup> and Article 4 inter-American Treaty Reciprocal Assistance, signed Rio September 3, 1947. Cites Spitsbergen as example failure condominium pointing out its relationship to Norway (to which Spitsbergen finally ceded) same as that of South American Antarctic to Chile.

Chile suggests agreement whereby interested nations will exchange scientific data and believes first step in avoiding international friction would be issuance declaration that establishment bases expeditions, etc., in area south of parallel 6th, would not constitute basis strengthen future claims. Agreement to last five or more years would provide opportunity give careful study to final solution and embody advantages of US proposal without its disadvantages.

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<sup>1</sup>The decree, which set forth Chilean Antarctic claims, is quoted in *Foreign Relations*, 1940, vol. II, p. 336, footnote 7.

In handing me Chilean note, Riesco <sup>2</sup> said Chileans are positive as to their claims which no Chilean government abandon without serious collision with public opinion. At same time said Chile not eager push matter as is Argentina, and believes Chile's plan leaving settlement until after world crises is over is, in best interest all concerned. He again said Chile not at all interested in Argentina's claim to Falkland Islands.

Airmailing note.<sup>3</sup>

BOWERS

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<sup>2</sup> German Riesco, Chilean Foreign Minister from July 1948.

<sup>3</sup> The Chilean Foreign Ministry *Note Verbale*, dated October 7, 1948, was transmitted to the Department of State as an enclosure to despatch 652, October 11, from Santiago, not printed (800.014 Antarctic/10-1148). The Chilean communication was outlined in a Chilean Foreign Ministry statement carried in major Santiago newspapers on October 29; a copy of the statement was transmitted to the Department as an enclosure to despatch 689, October 29, from Santiago, not printed (800.014 Antarctic/10-2948).

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#### *Editorial Note*

A Belgian Embassy Memorandum, dated October 8, 1948, called to the attention of the Department of State the Belgian exploration activities in Antarctica in 1898-1899 and indicated that Belgium was entitled to participate in the settlement of the Antarctic question. A copy of the Draft Agreement on Antarctica was transmitted to the Belgian Embassy under cover of a Department of State note of December 31, 1948. The Department's note informed the Belgian Embassy that only those states which had advanced claims to sovereignty in the Antarctic had been approached regarding a solution of the Antarctic problem. The note further explained that although the United States had not yet advanced claims in Antarctica, the activities of its nationals over a long period of time and covering a large part of Antarctica gave it a sound basis for undertaking an initiative in the matter (800.014 Antarctic/12-3148).

800.014 Antarctic/11-148: Telegram

*The Ambassador in Argentina (Bruce) to the Secretary of State*

SECRET

BUENOS AIRES, November 1, 1948—10 a. m.

1064. In Foreign Office note<sup>1</sup> referring two memoranda, one delivered by Green<sup>2</sup> and other received Embassy Washington,<sup>3</sup> proposing internationalization Antarctic by trusteeship and condominium, Government rejects proposals advanced even as basis discussion. Reason given is national territory such as Argentine Antarctic could in no case be incorporated into international regime. Adds that Government desirous collaborating solution general problem and will omit no effort assist definitive friendly settlement.

Note follows by air.

Sent Department 1064, repeated Santiago.

BRUCE

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<sup>1</sup> The text of the Argentine Foreign Ministry note, dated October 28, was transmitted to the Department as an enclosure to despatch 703, November 2, from Buenos Aires, not printed (800.014 Antarctic/11-248).

<sup>2</sup> Regarding the American proposal under reference here, see the editorial note, p. 994.

<sup>3</sup> For the text of the American proposal under reference here, see the enclosure to the *aide-mémoire* of August 9 from the Department of State to the Australian Embassy, p. 997.

800.014 Antarctic/11-1548

*The Norwegian Ambassador (Morgenstjerne) to the Acting Secretary of State*

The Ambassador of Norway presents his compliments to his Excellency the Acting Secretary of State, and, referring to the Department of State's *Aide-Mémoire*, dated August 9, 1948,<sup>1</sup> concerning the possible establishment of an international status for the Antarctic area, and to the note dated August 30, 1948,<sup>2</sup> from the Chargé d'Affaires ad interim of this Embassy, the Ambassador has the honor to inform His Excellency that the Norwegian Government has now studied with great interest the United States' proposal in this matter.

Norwegian scientists have, as known, made considerable contributions to the exploration of Antarctica, and the Norwegian Government will continue to do its utmost to promote scientific research in this area. The Norwegian Government also firmly desires to contribute to the increase of international co-operation in this field. In this connection may be mentioned that in 1949 a Norwegian-British-Swedish expedition, under Norwegian leadership, will be sent to Queen Maud Land.

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<sup>1</sup> See the identical *aide-mémoire* to the Australian Embassy, p. 996.

<sup>2</sup> Not printed.

It is assumed that this expedition will carry on its scientific research through 1952.

The Norwegian Government is confident, however, that the creation of fully satisfactory international cooperation in the scientific field will be possible without establishing an international regime for the Antarctic area, as proposed by the United States Government. It will be remembered that in a field of utmost importance in Antarctica, namely the meteorological field, an international scientific body—the Committee for Polar Meteorology created by the International Meteorological Organization—has already been established. As far as whaling is concerned, the International Convention for the Regulation of Whaling, dated December 2, 1946, lays down that the International Whaling Commission to be established shall encourage, recommend or, if necessary, organize studies and investigations relating to whales and whaling (Article IV, 1(a)).

The Norwegian Government assumes that the interested governments should concentrate their efforts mainly on supporting and facilitating the stipulated tasks of the already existing international organizations for scientific research in Antarctica. The Norwegian Government realizes, however, that the International Committee for Polar Meteorology and the International Whaling Commission cannot cover all fields where scientific research might be desirable, and will consequently welcome any proposal for the establishment of additional, purely scientific, international organizations. Their functions should, however, be clearly defined and coordinated to avoid competition between two or more international organizations.

Moreover, the Norwegian Government deems it desirable that all interested governments pledge themselves mutually to impart to each other the results of scientific research performed by their respective nationals.

Consequently, the Norwegian Government considers the establishment of an international administration for Antarctica unnecessary for the carrying out of the desirable scientific tasks, and cannot subscribe to an arrangement, whereby Norway would waive her exclusive sovereignty over her territories south of the 60 degree south latitude. Norway's sovereignty over these areas is firmly based upon international law, and the Norwegian Government is confident that the United States Government will appreciate that Norway cannot, for reasons of a national and political character, yield her exclusive sovereignty over what is Norwegian territory.

The Norwegian Government assumes furthermore that the fact of some individual countries having exclusive sovereignty over certain areas in the Antarctic will be an incentive for such countries to pursue scientific research there, for the benefit of all mankind. Sovereignty

can hardly be an impediment to scientific operations. Thus the above mentioned Norwegian-British-Swedish expedition shows that Norway's exclusive sovereignty over Queen Maud Land in no way impedes co-operation with foreign governments with regard to scientific activities in this area.

The Norwegian Government has noted that the South Shetland and the South Orkney groups, both situated south of the 60 degree south latitude are excepted from the proposed plan (excepted is also South Georgia, situated north of the 60 degree south latitude). By excepting some of the most important areas, claimed by several countries, it seems that this plan would not prove effective in settling the most acute international disagreements in the Antarctic area, which, as far as the Norwegian Government understands, is its foremost political purpose. The sacrifice Norway eventually would have to make by renouncing her exclusive sovereignty over Peter I's Island and the territory between the 45 degree east longitude and the 20 degree west longitude (Queen Maud Land) would thus not contribute effectively to the establishment of peace and harmony in the Antarctic.

WASHINGTON, November 15, 1948.

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800.014 Antarctic/11-2448 : Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET

LONDON, November 24, 1948—8 p. m.

4491. Department's 4402, November 22; repeated Buenos Aires 988<sup>1</sup> re UK-Argentine-Chilean dispute over Antarctic claims.

Shuckburgh Foreign Office explained to us today that during course Bevin-Bramuglia conversation November 8, Bevin said it would be desirable for both countries avoid naval displays in waters south of 60 degrees south latitude. It was agreed (1) Chile would have to be included in any such understanding, and (2) Argentina rather than UK would approach Chile. Peron immediately approved proposed informal agreement in principle and Foreign Office handed to Argentine Ambassador on November 12 draft of undertaking it was prepared give to Argentina if reciprocated. Foreign Office handed copy this

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<sup>1</sup> Not printed; it asked for information regarding the conversations in London between British Foreign Secretary Ernest Bevin and Argentine Foreign Minister Bramuglia on Antarctica. The Department of State had been informed by the Chilean Embassy in Washington that Bevin had proposed to Bramuglia that Britain and Argentina refrain from establishing new bases and sending naval patrols into the disputed Antarctic area during the coming Antarctic season. Bramuglia agreed subject to Chilean participation, but Chile in turn had suggested inclusion of the United States (800.014 Antarctic/11-2248).

draft to Chilean Chargé November 15 with respect Chile on same basis. Text follows:

[Here follows the draft text of a declaration regarding the intention of the United Kingdom (and Chile and Argentina) not to send warships south of Latitude 60° during the 1948-49 Antarctic season. For the full text of the agreed U.K.-Chilean-Argentine declaration, exchanged and issued to the press on January 18, 1949, see *Parliamentary Debates*, House of Lords, 5th series, vol. 160, col. 419.]

Shuckburgh said that both before and after this text was handed to Argentines and Chileans, Chileans maintained that Bevin also offered to Bramuglia standstill agreement on establishment new Antarctic posts. This is completely untrue, Shuckburgh asserted. Chileans have told Foreign Office that Argentines told them that was the case. On Foreign Office inquiry, Argentines denied they understood proposed agreement to cover new posts in addition naval displays; in other words, according Shuckburgh, Argentines agree with Foreign Office version Bevin-Bramuglia talk. Shuckburgh said all this indicates (1) that Argentines misinformed Chileans who are acting in good faith, (2) that Chileans invented idea that standstill proposal was made in Bevin-Bramuglia talk as means of having it included in three-power understanding. Shuckburgh inclined favor second theory. Shuckburgh said Chileans very anxious for agreement this point, but UK completely unwilling accept it as it might appear to represent recognition of legality of Argentine and Chilean Antarctic posts. Chile still disputing with UK this point re scope of Bevin-Bramuglia discussions.

Foreign Office would prefer no public declaration but does not feel strongly about this.

Shuckburgh expressed regret US should have learned of proposed three-power understanding from Chileans rather than from UK, and explained that US had not been included since it was inconceivable to Foreign Office that US might send warships into Antarctic waters as display of force. Foreign Office considered inclusion of US in proposed agreement unnecessary.

Shuckburgh added that British Embassy Washington only now in possession of all facts since Foreign Office "stupidly" sent copies of various documents to it for information by pouch instead of by cable. British Embassy now fully informed and able discuss matter with Department if desired.

He mentioned Australia and New Zealand have agreed to UK's acceptance of US proposal for 8-power Antarctic administration. British Embassy will soon be instructed ascertain whether Department now lukewarm to its own proposals; he said Department does not seem to be pressing idea now and he wondered whether this foreshadowed abandonment of proposed scheme by US.



Sent Department 4991, repeated Buenos Aires 16, Santiago unnumbered.

DOUGLAS

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*Editorial Note*

In a note of November 30, not printed, the British Embassy informed the Department of State that the British Government was prepared to accept in principle and as a basis for discussion between the governments concerned the proposals of the United States for the internationalization of Antarctica (800.014 Antarctic/11-3048).

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800.014 Antarctic/11-1948: Telegram

*The Acting Secretary of State to the Embassy in Chile*<sup>1</sup>

SECRET

WASHINGTON, December 1, 1948—7 p. m.

431. Chil Amb Nov 26 handed Daniels<sup>2</sup> draft declaration identical with version Emb London tel Nov 24 rptd Stgo<sup>3</sup> and requested orally that US Gov join in agreement (Stgo tel 750 Nov 19<sup>4</sup>). Dept expressed to Chil Amb desire to cooperate in every practicable way and to make any confidential or public statement that wld be appropriate in circumstances. On Nov 30 Chil Emb was informed that Dept believes it wld be even more effective and appropriate for US Gov to make a parallel but separate statement either confidentially to three Govs concerned or publicly if those Govs so desired. Basis for separate statement rather than participation in tripartite understanding wld be (a) US cld make more unqualified commitment re sending vessels, (b) further Chil negotiation with Arg and Gr Brit wld probably be required for US quadripartite participation, and (c) Dept doubts appropriateness of quadripartite participation because it pertains to problem which has directly concerned only other three countries. Dept's statement wld be as follows:

"The Gov of the US is very pleased to learn that the Govs of Arg, Chile and Gr Brit have informed each other that (text of final understanding to be quoted here).

This Gov does not contemplate sending any vessels to Antarctic during the 1948-1949 Antarctic season".

Since US considers not appropriate be party to agreement or declaration, Dept does not feel it shd comment on inclusion of point about no new bases. However, Dept mentioned to Chil Emb our understanding that UK disinclined to include this point:

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<sup>1</sup> Repeated to London as 4488 and to Buenos Aires as 1016.

<sup>2</sup> Paul Daniels, Director, Office of American Republic Affairs.

<sup>3</sup> Telegram 4491, November 24, from London, p. 1018.

<sup>4</sup> Not printed.

Stgo pls mention foregoing informally to Chil FonMin.

Rptd to London for informal communication to FonOff and to Buenos Aires for info with requests that Embs obtain informal reaction of UK and Arg Govs to possible US statement.

LOVETT

800.014 Antarctic/12-248: Telegram

*The Ambassador in the United Kingdom (Douglas) to the Secretary of State*

SECRET

LONDON, December 2, 1948—7 p. m.

5078. Embassy officer today orally conveyed to Shuckburgh Foreign Office substance Deptel 431 December 1 to Santiago repeated London 4488 Buenos Aires 1016,<sup>1</sup> and Deptel 4489 December 1 to London<sup>2</sup> regarding Antarctic claims dispute. Shuckburgh said Foreign Office would naturally welcome parallel US declaration such as Department suggested but he assumed Department would not wish make statement until and unless assured that Foreign Office would make similar one. Foreign Office cannot yet give such assurance since its making declaration is contingent upon assurances from Argentine and Chilean Governments that they prepared do same. He said Argentine Government has not yet informed Foreign Office of its approval of Foreign Office's suggested text but no reason suppose Argentina has changed attitude which was agreement in principle.

Shuckburgh stated Chileans have not told Foreign Office they have abandoned idea regarding no new bases. Until Chile drops this idea, UK and Argentine unable make declarations he said.

He remarked Bevin's idea as expressed in talk with Bramuglia has already largely accomplished its beneficial purpose and that it not of great importance whether formal exchanges of statements take place. He promised keep Embassy informed of developments with Department's proposed statement in mind.

Asked whether Foreign Officer preferred Department's statement to be public or confidential, Shuckburgh said Department may wish do same as Foreign Office which will be guided by Argentine and Chilean preference. This preference will not be determined until and unless Argentina, Chile and UK reach agreement on exchange of declarations.

Sent Department, repeated Buenos Aires 17, Santiago unnumbered.

DOUGLAS:

<sup>1</sup> *Supra.*

<sup>2</sup> Not printed; it set forth the Department's assumption that the British and Argentine Governments would welcome a possible United States statement indicated in telegram 431 of December 1 (*supra*), but instructed the Embassy in London to seek informal British reaction. Identical instructions were sent to the Embassy in Argentina (800.014 Antarctic/12-148).

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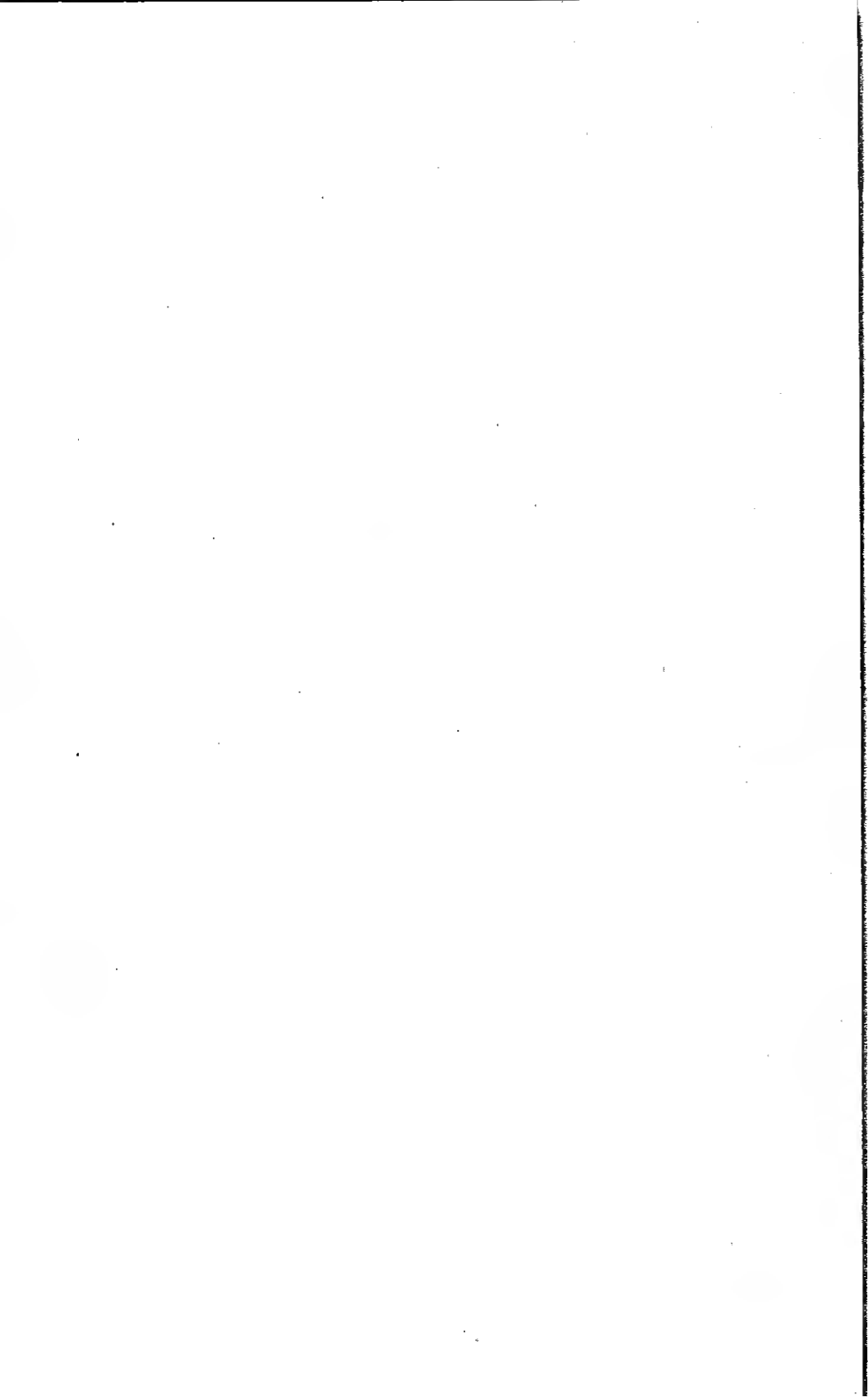
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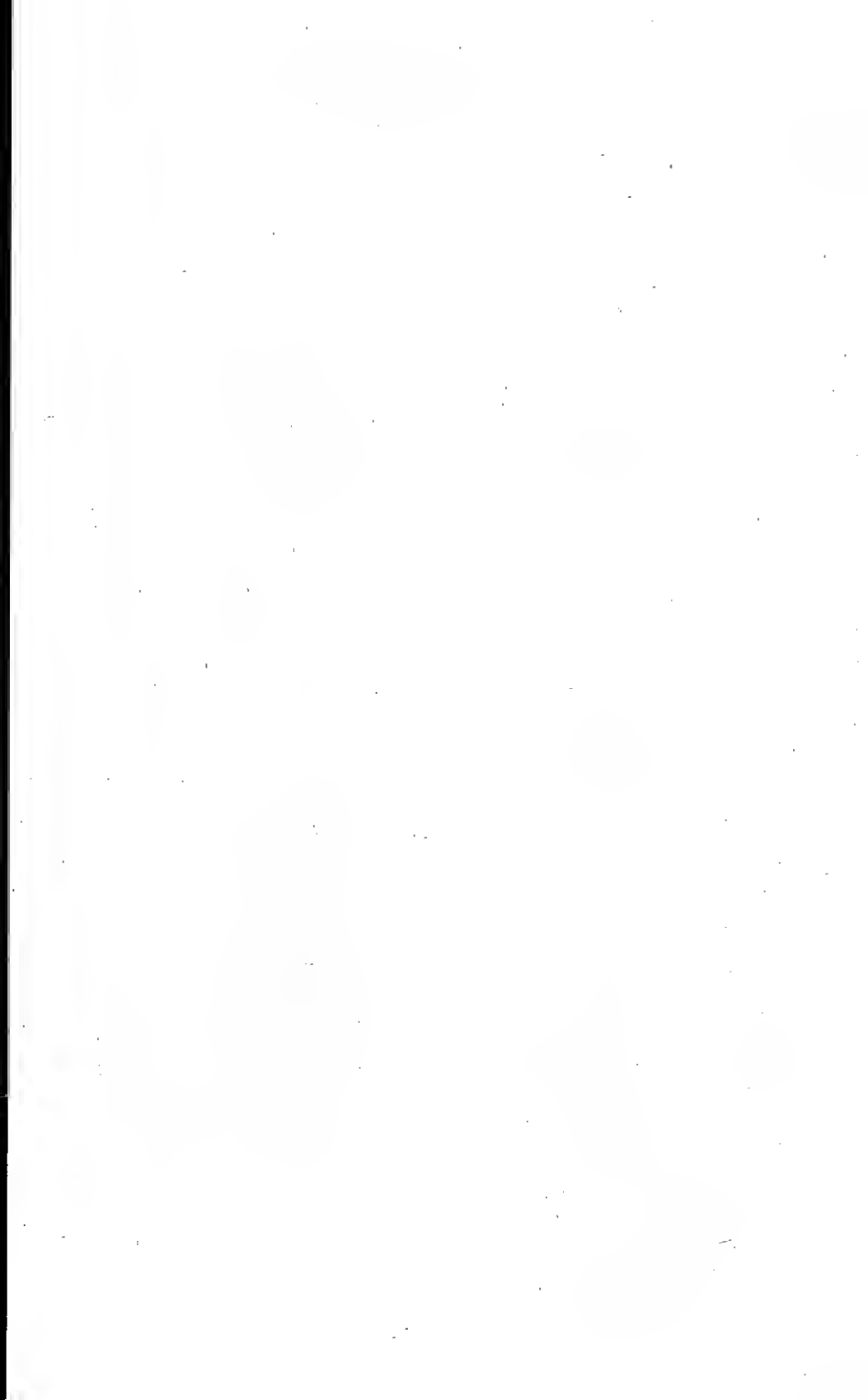
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